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ABSTRACT

Recorded in this booklet are statements and letters presented at the hearing by a number of educational administrators concerning the impact aid legislation and amendments to the legislation. Many arguments are presented which call for the continuation and expansion of the impact aid program, particularly in urban areas where large numbers of children living in tax exempt public housing are dependent on Federal funds for their education. It is pointed out that the funding of education through property taxes is not realistic in areas where there is a large concentration of Federal companies or military installations, and that Federal funds are necessary to equalize the education of children in these areas with the education of those living in high tax supported communities. It is also argued that Federal funds should be made available for building and maintaining school facilities in areas where the low tax base cannot provide sufficient funds for these purposes. (EB)

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OVERSIGHT 1979 HEARING ON THE IMPACT AID PROGRAM

ED177238

HEARING

BEFORE THE

SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., ON
APRIL 5, 1979

Printed for the use of the Committee on Education and Labor

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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OVERSIGHT HEARING ON THE IMPACT AID PROGRAM

THURSDAY, APRIL 5, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ELEMENTARY, SECONDARY,
AND VOCATIONAL EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the subcommittee), presiding.

Members present: Representatives Perkins, Kildee, Williams, Kogovsek, Goodling, Buchanan, and Erdahl.

Chairman PERKINS. The Subcommittee on Elementary, Secondary, and Vocational Education is conducting an oversight hearing today on the impact aid legislation, P.L. 81-874 and P.L. 81-815.

The impact aid program provides general financial assistance to school districts in areas affected by Federal activities. The fiscal year 1979 appropriation for the program was $786 million.

After conducting several oversight hearings on these programs in the 95th Congress, several amendments to the legislation were adopted on P.L. 95-561, the Education Amendments of 1978.

One important change included in these amendments deals with low-rent public housing children. Payments for these children will no longer have to be used for compensatory education, and will instead go into the district's general revenues like other impact aid. In addition, the public housing children will be treated the same as other impact aid children for purposes of funding. This could mean a doubling of low-rent housing money for some urban areas.

The new amendments also restructured the tier system which governs funding priorities when appropriations are insufficient to fully pay all entitlements. Effective in fiscal year 1980, the mandatory funding level in the second tier will be lowered, in order to give the Congress more flexibility to target the remainder of funds in accordance with appropriations acts.

For fiscal year 1980, the President is recommending eliminating payments for all Category B children; that is, children who either live on or have a parent who works on Federal property. This proposal would result in a reduction of about $291 million in the

total expenditures for impact aid bringing the cost of the program down to $495 million. However, this proposal is in violation of the current law which mandates that a specific percentage of B children's entitlements must be paid in both the first and second tiers of funding.

Congressman Fazio is here from the Fourth District of California. Let me say to you, Congressman, we are delighted to have you here. We appreciate your appearance. I have had the privilege to observe you in your short tenure in the Congress. I think you have impressed everybody with your ability to stand up for educational programs in the country, and you are one of the leaders of the educational field. We are proud that you are here, and you can do a lot in helping us make sure that the educational programs are not cut to pieces.

STATEMENT OF HON. VIC FAZIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. FAZIO. Thank you very much, Mr. Chairman.

Chairman PERKINS. Thank you very much, and proceed in your own way.

Mr. FAZIO. Let me thank you very much for giving me a few moments before the committee today. I appreciate the time, and believe me, I wouldn't be taking it if it weren't a very crucial issue for my district.

I do have a brief statement that I would like to read because I think I would like to underscore how this issue affects one congressional district that is, of course, heavily impacted by military installations.

The reason I asked to appear today is obviously to support the continuance of Category B impact aid funds, and to express my concern about the President's proposal to eliminate these funds across the country. As you know, the Administration's proposal would affect more than 4,000 school districts and the 23 million children throughout the country in those districts. I feel that the Federal government is obligated to continue to compensate districts for the loss of revenues associated with the presence of tax-exempt Federal land holdings or Federal employers.

For California, the proposed elimination would affect virtually the entire state. In terms of dollars, California would suffer a loss of a minimum of $47 million. For the school districts in the five counties I represent, we are talking about a loss of approximately $3.5 million to $4 million.

Impact aid fund cuts would hit California schools especially hard. Impact aid fund cuts would have to be made up in other states by increases in the local property tax. However, with the passage of Proposition 13 in California and its lid on tax increases, these losses could prove devastating to our California school systems. Now with the structure of state support for the schools in California in great flux, we cannot absorb still another reduction, let alone another lengthy period of uncertainty as to where our dollars will come from. Benicia Unified School District, which lies in my district, has written to me that "California schools have been clobbered this year

and next year looks to be even worse. We are faced with increased enrollment, rising cost of supplies, need for construction without any apparent way of finding such."

It is when reading such letters from individual districts that the problems such a loss would cause truly take on living dimensions. Since there are several large military installations in my district, including Travis Air Force Base, McClellan Air Force Base and Mare Island, I have been contacted by some of the school districts which would be affected. For example, Sacramento City Unified School District states that "excessive inflation plus a $7 million reduction in income during 1978–79 resulting from passage of Proposition 13 has severely affected our financial resources. Our average income from P.L. 874 impact aid over the past three years is approximately $558,693 per year." The letter goes on to explain that this loss could mean a loss of 27 teaching positions, including salary and fringe benefits, or 42 classified positions, including salary and fringe benefits, or sizeable portions of mandated costs such as liability, fire and theft insurance costs.

Grant Joint Union High School District is especially illustrative of what these fund cuts can cost education. The District has informed me that an elimination of P.L. 874 funds in the amount of approximately $800,000 could require that 57 teachers be laid off. Translated another way, this loss of 57 teachers would be the equivalent of closing a school of 1,500 to 1 700 students with the attendant increase in class size.

Grant Joint Union is one of the lowest wealth districts in the State of California. Unemployment reaches 29 percent in some areas of the district. These cuts would, by diminishing the care the schools can give their pupils, worsen socio-economic problems associated with low wealth areas such as this one and lessen the chance of these children to have improved lives as adults. The teachers released as a result of the cuts would add to the unemployment rolls.

Another point of consideration is the affect cuts would have on affirmative action programs and role models for minority children. Military and other Federal employees are probably among the most integrated of work forces. The children who attend the schools around the military bases, for example, represent a wide cross-cultural mix, and it is important to have a cross cultural teaching staff which can relate to these children. In California, affirmative action programs instituted over the past decade have brought many minority teachers into the school districts. In California, as in many other states, however, the last hired are the first to be let go. The loss of teachers resulting from the loss of impact aid monies may in essence nullify years of efforts by school districts to form strong, crosscultural staffs.

Some argue that we do not need Category B funds as the federally connected parents of the school children pay local property taxes to compensate for the loss of the taxes from the presence of the Federal property. However, exclusive of Federal programs, 70 percent of school funding in California comes from state sources and 30 percent from local property taxes. Of this 30 percent, two-thirds is supported by business and industry and only one-third

by the local homeowner. The contribution of the homeowners does not come near to compensating for the loss of the commercial, agricultural, and industrial tax base devoted to large Federal installations.

In closing, may I simply state that I firmly support the continuance of Category B impact aid funds in order to avoid any disruption in educational services and to insure quality education for our children. It is very apparent from the examples provided me that what we are talking about are cuts which hit at the heart of educational programs, cuts such as in teachers' salaries, heating and utility services, instructional materials, and gasoline. We are thus also talking about the quality of our children's education and thus the quality of our future. I am sure that in the course of today's hearing many local districts will appear before you expressing what Category B funding means to them, and I urge you to listen carefully to their testimony, as I'm sure you will.

Chairman PERKINS. Thank you, Congressman Fazio. I am going to appear before the Appropriations Committee myself and follow the same line that you have suggested. I would suggest that you get ready to go when they let congressmen testify before Appropriations, and that you also appear.

Mr. FAZIO. Mr. Chairman, I look forward to joining you there.

Chairman PERKINS. And many of our friends, because I think we will be all right. But there is nothing like pushing hard.

Mr. FAZIO. Thank you very much, sir.

Chairman PERKINS. Thank you for your appearance.

We will hear our next witnesses as a panel this morning.

Mr. Gene Dunworth from the Chicago Public Schools, and then we will hear Mr. Grant Pinney, Assistant Superintendent of Ridgecrest, California. Is he here? Dr. William F. Duncan, is he here? All right. And Dr. Wilmer Cody, is he here, the Superintendent of Birmingham? Please come around. And Mr. Jack Matlock, of the Sacramento Schools, and Mr. Joseph W. Rutherford, Assistant to the Superintendent of Schools of Toledo, Ohio. Come around.

Let me suggest that you get some chairs at the end of the table. Mr. David Perdue, Superintendent of Schools of Perry, Georgia, is he here? All right. And Dr. David Fish of San Diego, is he here? All right.

We will start out as they are listed on the panel, with Gene Dunworth.

STATEMENTS OF GENE DUNWORTH, CHICAGO PUBLIC SCHOOLS; GRANT PINNEY, ASSISTANT SUPERINTENDENT, SIERRA SANDS UNIFIED SCHOOL DISTRICT, RIDGECREST, CALIF.; DR. WILLIAM F. DUNCAN, SUPERINTENDENT, CENTRAL SCHOOL DISTRICT, HIGHLAND FALLS, N.Y.; DR. WILMER S. CODY, SUPERINTENDENT, BIRMINGHAM, ALA., PUBLIC SCHOOLS; JACK MATLOCK, ASSISTANT SUPERINTENDENT, GRANT JOINT UNION HIGH SCHOOL DISTRICT, SACRAMENTO, CALIF.; JOSEPH RUTHERFORD, ASSISTANT SUPERINTENDENT OF SCHOOLS, TOLEDO, OHIO; DAVID PERDUE, SUPERINTENDENT OF SCHOOLS, HOUSTON COUNTY SCHOOLS, PERRY, GA.; AND DR. DAVID FISH, PRESIDENT, IMPACTED AREA SCHOOLS, SAN DIEGO, CALIF.; A PANEL

STATEMENT OF GENE DUNWORTH, CHICAGO PUBLIC SCHOOLS

Mr. DUNWORTH. Thank you, Mr. Chairman.

Chairman PERKINS. Identify yourself for the record and proceed. And to conserve time, if the Members will withhold questions until we get through hearing from the entire panel, I think we will be able to hear you all.

The House goes in session this morning at 11 a.m. We have the foreign aid on the Floor, and naturally that is going to be controversial.

Come on in, ladies and gentlemen, and if you can't find a seat, just stand up anywhere. Come right on in. You can do some good service while you are here in Washington. You can educate Congressman Carl Perkins, and all these gentlemen on my right, as well as your own members of Congress.

Let me thank you all for your appearance here this morning. I am glad to welcome all of the impacted aid people throughout the country. I recall back several years ago in the fifties, we only had a gentleman from Oklahoma City who came here. We didn't have the organization that we have today, but with this organization we ought to go places.

I think this will be a helpful hearing. This is an oversight hearing, as I have stated. I know that this group will want to testify before the House Committee on Appropriations. There are some excellent members on that committee. I would make sure that I put in an appearance before them.

Go ahead now, Mr. Dunworth.

Mr. DUNWORTH. Thank you, Mr. Chairman.

Chairman Perkins, and members of the Subcommittee on Elementary, Secondary, and Vocational Education, I am Gene Dunworth, a Federal Administrator for the City of Chicago Public School District, representing Dr. Joseph P. Hannon, our general superintendent. He welcomes the opportunity to offer testimony on the impact aid program as it affects the large, urban school district, of which Chicago is representative.

The impact aid program was designed to provide assistance to local educational agencies for the costs of educating children in areas where tax revenues are affected by federally owned land. The program includes children whose parents reside in tax-exempt, federally subsidized housing projects, and children whose parents live and or work on Federal property or military installations. The rationale of the program is that since the tax-exempt status of Federal property causes great fiscal difficulties in many school districts, the Federal government accordingly should compensate the school systems and enable them to serve more fairly the schoolchildren concerned. In particular, the tax-exempt status of Federal low-rent housing impacts 1,300 urban school districts and therefore affects the educational needs of approximately 725,000 children nationwide.

The school system I represent is the third largest in the United States. Its school population is 490,000, with 620 facilities, 28,000 teachers, and 22,000 career service personnel. Its main sources of revenue are property taxes, state aid, and some Federal assistance,

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with an annual budget of $1,222,000,000. Chicago's FY '79 impact aid appropriation is approximately $3.3 million. The proposed P.L. 95–561 legislation will increase impact aid to $8.5 million of general aid.

If the funds for low-rent housing are reduced, as proposed by the Administration's budget recommendations, Chicago will receive $5,000. Of the 44,400 impact aid children, the bulk 42,000 are 3P[1] or low-rent housing children. This means that about nine percent of the total Chicago Public School enrollment live in tax-exempt property; the property tax-paying residents must bear the cost over-burden of educating those B or low-rent housing children.

As Members of the Subcommittee may be aware, the Chicago Board of Education is improving educational opportunities in its schools through a voluntary program, "Access to Excellence." The program plans to create exceptional, attractive educational alternatives for students, and represents a firm commitment to excellence in education.

The commitment is to offer each student the very best education possible, irrespective of the student's racial, ethnic, or socioeconomic background.

The commitment is to ensure that each student is able to master the basic requisites for learning and, more, to fully develop his or her potential abilities.

The commitment is to desegregate educational settings to the maximum possible extent, and further, to maintain the present racial and ethnic diversity, which is one of the strengths of our school system and our city.

We are meeting these commitments in part by implementing "Access to Excellence," one star in a constellation of recent educational and management initiatives of the Chicago Board of Education.

In its first five months, "Access to Excellence" has made great progress. Because of this program, thousands of children have found new enthusiasm and challenge in school. We are creating a school system that is truly unified and open to its students. Children are no longer limited to the options of a single school. Instead, they may select from the diverse offerings of the third largest school system in the nation. Students and their parents are now able to draw from the vast resources of the Chicago Public Schools the educational program that best meets their particular needs, interests, and aspirations.

"Access to Excellence" is a five-year plan, in which major strides have been made during the first five months. In this brief time, we have demonstrated that we are moving in the right direction, that we are building a top-rate education program, that we are laying a solid foundation for equal education opportunities for all students. Whether we reach our goals or not depends, in large measure, upon the support, assistance, and cooperation of others. We look forward to a partnership for excellence with the Federal government. But we need the dollars to move forward.

A big slash in impact aid funding will obviously aggravate our fiscal difficulties. In fact, many "Access to Excellence" programs are targeted at the schoolchildren who reside in low-rent housing units—

bilingual education, basic skills, enriched studies, preschool, and career development centers. It is indeed ironic that the Administration's proposed cut of B payments will ultimately render great harm to those children it purports to aid.

The Administration, and Congress, are rightly concerned with maintaining an austere budget; however, the low-rent housing section of impact aid is not the appropriate place to do it. Major criticisms of the program—that the funds were not well-targeted and school districts received monies for Federal property in another state—have been met by the 1974 and 1978 Education Amendments. These changes in the law began to channel funds where they were needed most: in school districts with great amounts of low-rent housing compensation. Furthermore, B funding pays only for those children who are being educated, demands little administrative cost from the Federal government or local educational agencies, and is far less expensive than another alternative, an in-lieu-of-tax program.

May I, as General Superintendent, respectfully urge the Members of this honorable subcommittee to continue advocating the impact aid program. I pledge as a large city General Superintendent to continue an all-out effort to provide you and your congressional colleagues with total support of this legislation and implementations that will serve the urban schoolchildren and their needs.

Mr. Chairman, when you do go before the Appropriations Committee, I can assure you that the Illinois delegation, your colleagues, will be present. Thank you Mr. Chairman and members of the Committee.

Chairman PERKINS. Thank you very much, Mr. Dunworth.

You go ahead, Mr. Pinney.

Mr. PINNEY. The Honorable William Thomas, Congressman from my district, will be here in a few moments. May I have my testimony delayed until he arrives?

Mr. KILDEE. Yes.

Dr. Duncan now, please.

[The prepared statement of Dr. Duncan follows:]

PREPARED STATEMENT OF DR. WILLIAM F. DUNCAN, SUPERINTENDENT, CENTRAL SCHOOL DISTRICT, HIGHLAND FALLS, N.Y.

THE IMPACT

A glance at the map on the facing page illustrates the tremendous impact the United States Military Academy at West Point has on the Highland Falls-Fort Montgomery Central School District. The shaded portion of the map represents the 1700 acres of taxable land left on the tax roll out of the 24,000 acres which once was the total land area of the district.

The loss of this land has seriously eroded the school district's tax base. The standard measure of a district's financial ability to support education is the amount of true property value behind each student. Throughout New York State the average true value per student is $59,000. In Highland Falls, it is $32,507. This figure is also the lowest true value per student of the 50 school districts in the Mid-Hudson area. Both the Department of HEW and the New York State Education Department have designated Highland Falls as a "financially less than able district".

FUNDING AT 65 PERCENT OF TIER II

At this appropriation level, Highland Falls will experience a reduction of $85,000 in "A" student payments, and $25,000 in "B" student payments, for a total loss in income of $110,000, as compared to this year. To raise that $110,000 through local taxes would require a tax rate increase of about $2 per $1000 of assessed value. A person owning a $30,000 home would thus have $60 added to his tax bill in one fell swoop without any consideration of inflationary increases in the school budget, or increased expenditures for mandatory programs, such as education of the handicapped. Last year our school budget was defeated twice by the voters. Each time a smaller tax increase than the above was proposed. Only when the school budget was reduced to the point that the tax rate increase was just pennies per $1000 of assessed value, school was about to open, and voters were facing serious losses in services did the budget gain approval.

NO APPROPRIATION FOR "B" STUDENTS

If no funds at all are appropriated for "B" students, Highland Falls would lose another $100,000 in income. The local taxpayers would then have to raise a

total of $210,000 in local taxes, which would require an increase of $4 per $1000 of assessed value in the tax rate.

The owner of the $30,000 home would face a staggering increase of $120 in his tax bill just to maintain the status quo. No school budget could be presented that would have a chance of passage.

To put the Highland Falls situation in perspective, a neighboring district with average wealth per pupil would only have to increase its tax rate by $1 per thousand in order to raise the $210,000, thus costing the owner of the $30,000 home only $30 more on his tax bill. In another district of comparable size which has an electric generating plant instead of a federal installation, a tax rate increase of only 50¢ per $1000 would raise the $210,000.

Clearly nothing is going to change with respect to the burden placed on our school system by the federal government. Highland Falls is not a school district that does not need these funds. Indeed, we are completely dependent on impact aid which provides us with 21.84% of our total current expenses. Any serious reduction in our income would place us in an untenable position.

At the same time we have effected many economics in recent years. We have raised class sizes and we no longer teach driver education, home economics or Latin. We have eliminated a 12th year Social Studies requirement, all teacher aide positions and a Guidance Counselor. We have no more so called "frills".

The most compelling reason for these reductions in services has been the continued reduction of "B" funds. It is most interesting to note that we now receive less actual dollars for "B" students than we did 10 years ago.

Our lack of any alternatives together with our total dependence on impact aid makes it a matter of survival in Highland Falls for appropriations to be made through the entirety of Tier II.

I would like to take this opportunity to thank the Committee for permitting me to present this information. I trust that it will be helpful in your deliberations.

STATEMENT OF DR. WILLIAM F. DUNCAN, SUPERINTENDENT, CENTRAL SCHOOL DISTRICT, HIGHLAND FALLS, N.Y.

Mr. DUNCAN. Thank you, Mr. Chairman, members of the committee. My name is William Duncan. I am the Superintendent of the Highland Falls School System, which is right next to the United States Military Academy at West Point. We have about 6,800 residents of the community, 1,360 school children, of which 240 are A students and 460 are B students. So we are 50 percent impacted with Federal students.

I would like to take a moment to show the members of the committee a map which I think speaks more eloquently of the Federal impact on Highland Falls than anything I could say.

This was the Highland Falls School District in the late 1930's. This is the Hudson River here in blue. The black outlines are the boundaries of the community. Just about World War II the Palisades Interstate Park Commission and Harvard University came along and they removed the green shaded areas from the tax rolls.

Harvard University maintains a nature study area there. Of course, that is not taxable.

During World War II the United States Military Academy came along, and they removed the brown shaded area from the tax roll. What we have left is this small area here which is in the clear. That has left us with a total of 1,700 acres of our tax base out of the 24,000 that we started with.

We are, in terms of true value per student, the poorest district in the 50 school systems in the mid-Hudson area. The state average evaluation per student is $59,000. The value in Highland Falls is $32,500. At the same time, our tax rate on true value is slightly above the median of the area. The median of the area is $18.06. Our true tax rate is $18.49

It is interesting, I think, to notice first of all, that we are now receiving less money for a B student than we did ten years ago. This year we are going to be paid $247 per B student; in 1969 we received $253. This, of course, has led to a direct shrinking of our income and a reduction of many of our school programs. We have eliminated many of the things that are called frills: sometimes driver education, home economics, a twelfth-year requirement social studies. We have increased class sizes drastically.

If we receive no B student funds, Highland Falls will lose $125,000 income. For the owner of a $30,000 house, this means his tax rate is going to go up $2.50, so he is going to pay another $75 in taxes as a direct result of this honest tax bill before we do anything to take care of the other inflationary costs, and strike our budget.

Last year our budget was defeated twice by the voters with a much smaller tax increase than that.

The other point that I am most concerned about in addition to the B's is that funding at the 65 percent level of tier 2 would also result in a reduction of A student funds. We would lose another $80,000 which would put us up to a total loss of over $200,000, requiring a tax increase of $4 per $1,000. The owner of that $30,000 home would then pay over $120 more on his tax bill just to maintain our status quo. There is no way we are going to be able to support such local tax increases in Highland Falls.

I thank the committee very much for taking this testimony.

Chairman PERKINS. You started out with 24,000 acres, and wound up with 1,700? And that is in your school district today?

Dr. DUNCAN. That is correct.

Chairman PERKINS. That really shows the need.

We have a battle on our hands, and I think everybody realizes it, because only yesterday the House Committee by only one vote rejected a motion to delete all B funding. I am talking about the House Budget Committee. Of course, that is just a target that we are shooting for. It is the vote in September that counts. But testimony like you gave before this committee, ought to help.

I would suggest that you see your congressman—all of you, for that matter—and tell them about the necessity for this program.

Our next witness is Dr. Wilmer Cody of Birmingham.

Mr. CODY. Thank you, Mr. Perkins.

[The prepared statement of Dr. Cody follows:]

TESTIMONY OF DR. WILMER S. CODY, SUPERINTENDENT, BIRMINGHAM CITY SCHOOLS, BIRMINGHAM, ALA.

PUBLIC LAW 874

Introduction

Thank you very much for allowing me to address the Committee on a matter that is of great concern to me and to school boards and superintendents throughout the country.

It is my understanding that the education budget proposed by President Carter deletes any appropriation under Public Law 874 to school systems that educate children who reside in public tax-exempt housing. I wish to speak in opposition to the elimination of this appropriation and urge the members of the Committee to use their influence and take such action as is necessary to include such an appropriation in next year's budget.

Impact aid was created to partially relieve the burden placed on local property taxpayers when "federally connected" children are educated in local public schools.

The principle which was the basis for the creation of this program is a simple one. The law recognizes that when a facility is built in an area by the federal government, land on which it is built becomes non-taxable property, as do the buildings and equipment which constitute the facility. It recognizes further that when there is a resulting influx of people who require schools for their children, there is an impact of need which mst be met by the local educational agency. When the local educational agency is dependent upon property tax revenues as the major source of its operation and maintenance requirements, there is then a sharp difference between needs and availability of support. If 874 funds in lieu of taxes for low-income housing are cut from the federal budget, then all the wisdom for the creation and maintenance of this program by Congress will have been lost.

FACTS RELATING TO THE BIRMINGHAM CITY SCHOOLS

1. In Birmingham almost 7,000 or 15 percent of the students enrolled live in low-rent housing projects that are exempt from local property tax. They attend 64 different elementary and high schools in the city that had to be paid for, repaired and maintained, and provided with heat and electricity.

2. Of the 64 facilities, at least 16 were built or enlarged because of the development of tax exempt public housing in particular neighborhoods.

3. The construction, maintenance and utilities for schools in Birmingham is supported almost exclusively with local property tax revenue. Because of the categorical nature of almost all Federal and State money, very little of those funds are available for facility construction, operation and maintenance or for other use at the discretion of local boards of education.

4. During the 1977–78 school year, Birmingham received $522,000 for children who reside in tax exempt low-cost housing. This money was earmarked for Title I type expenditures and we used it in that fashion to the benefit of the children. It did not provide, however, for one of the major purposes of local property tax revenue—that is the construction, renovation, maintenance and utilities of facilities for that 15 percent of our student population.

5. The dramatic and very welcome expansion of Federal funds during the last 15 years has created a major burden on school systems for facilities with little of the money available for that purpose. State funds in Alabama have been increasing 12–13 percent per year in recent years bringing about added classes for the handicapped and kindergarten children as well as other benefits. Very little state money in Alabama is available for mintenance and utilities. In Birmingham almost all such costs must be supported with local property tax revenue.

6. In Birmingham, property tax revenue has been increasing annually at about 6½ percent. The cost of electricity has increased at an average rate of 33 percent per year for the last few years. The cost of heating has increased at the rate of 35 percent per year. Other costs related to the provision of school facilities are also sky-rocketing at rates far in excess of the 6½ percent growth in property tax revenue.

The relationship I am pointing out between facilities, property tax revenue and tax-exempt property also applies to many educational programs in the school system, but in overall balance, the problem with facilities is the most crucial and in terms of the general pattern of financing education, the relationship between adequate facilities and property tax is the clearest.

Summary

The problem of tax exemption has been long-standing. When places of employment and residence are exempt, either the owners of private property must pay a higher tax cost for the services needed by all or the services to all is lower in quality. Neither alternative is fair to the people of the City.

I do not criticize or diminish the value of Federal categorical aide to school systems. Its use in Birmingham has been of great benefit. Federal, as well as state earmarking of expenditures, however, coupled with the underfunding of full indirect costs plus the rapid escalation of those costs plus the relatively slower increase in local property tax which is used to pay these costs has created a very serious problem in Birmingham.

Briefly stated, Birmingham needs an unearmarked half-million dollars in Impact Aid funds in lieu of property taxes for low-rent housing more than it needs additional funds for any other purpose.

Again, I hope you will restore such an appropriation in the education budget for next and future years.

STATEMENT OF DR. WILMER S. CODY, SUPERINTENDENT, BIRMINGHAM, ALABAMA, PUBLIC SCHOOLS

I am Wilmer Cody, Superintendent of Schools in Birmingham, Alabama, and I appreciate the chance, Mr. Perkins, and members of the committee, to share a few thoughts and ideas with you this morning.

Let me briefly get to some basic facts about Birmingham, and I am going to skip over the introductory comments that were in the prepared statement which I think you have copies of right now.

Birmingham is a school system of 50,000 students, and 7,000 of those 50,000 reside in tax-exempt low-income housing, or 15 percent of the student body. Those 7,000 students attend 64 different elementary schools and high schools in the city that were built and are being paid for and repaired and maintained, provided with heat and electricity and custodial services.

Of the 64 facilities, at least 16 of them were either bought totally or have additions that were enlarged because of the initial construction and development of tax-exempt public housing in particular neighborhoods.

The construction, maintenance and utilities for schools in Birmingham is supported almost exclusively by local property tax revenue. Because of the categorical nature of almost all federal and state money——

Chairman PERKINS. I am going to interrupt here for just a moment, Dr. Cody. I see my colleague in the back of the room, Congressman Thomas. Do you care to make a statement right now, Congressman? If you do, you just go ahead, if the gentleman would just stand aside there for a moment.

STATEMENT OF HON. WILLIAM M. THOMAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. THOMAS. Thank you very much, Mr. Chairman.

Chairman PERKINS. I know of your interest in this program.

Mr. THOMAS. As a freshman getting involved in some of the issues that I have observed and have not had an opportunity to participate in, the impact aid program is of great concern to me specifically because of the district that I represent. But more importantly, and more pleasantly, the short task that I have today would be to try to introduce Mr. Grant Pinney to you, which would be difficult for me to do, because I know that many of you know him and his vast experience in the area of impact aid.

He lives -and is a constituent of mine -in a portion of the district tha is wholly dependent upon a naval weapons center installation. We also have Edwards Air Force Base in our district, and these are two classic examples of areas which would not be populated today were it not for the military installations. I think these are the classic examples of the kinds of school districts that we were thinking of when we instituted the impact program.

I want you to listen to his testimony carefully. He has a quarter of a century of first-hand knowledge of what the Federal government has done in terms of impacting the area. And anything that we can do to make sure that these students can maintain the level of education that they deserve, given a governmental tax community, I would certainly appreciate it.

Thank you very much for the opportunity.

Chairman PERKINS. Thank you, Congressman, for your appearance. I am sure you will not only be helpful to your own district, bu. ou will be helpful to the entire country insofar as this program and other educational programs are concerned. We are delighted that you came here this morning.

You go ahead now, you can resume your testimony, Dr. Cody.

Dr. CODY. Mr. Chairman, I was making reference to construction, maintenance and utilities of the facilities in the schools that are directly related to the educational needs of what in effect is 15 percent of the student body in the school system of Birmingham. Those facility needs are almost exclusively supported with local property tax revenues.

Because of the categorical nature of almost all Federal funds and almost all state funds in Alabama, very little of those funds are available for construction, maintenance, custodial care and utilities, and so forth, or for any other of what we refer to as the indirect costs of educational programs and operations.

During the 1977-78 school year, Birmingham received a little over $500,000 for children who reside in tax-exempt, low-cost housing. This money was earmarked for Title 1 type expenditures, and we used it in that fashion, we believe, to the benefit of the children of Birmingham. It did not provide, however, for one of the major purposes of local property tax revenues. These are funds that presumably were in lieu of property tax revenue, that is, the construction, renovation, maintenance and utilities of the facilities for that 15 percent of our student population.

The dramatic, and I would maintain very welcome, expansion of Federal funds during the last 15 years has created a major burden or cost on local school systems for facilities with little of that money available for that purpose. In addition, state funds in Alabama have been increasing 12 to 15 percent a year in recent years, bringing

about added classes for handicapped and for kindergarten children, as well as other benefits.

All of these have been very desirable, but very little state money in Alabama is available for maintenance, utilities, custodial care and construction.

In Birmingham, almost all such costs must be supported with local property tax revenues. In Birmingham, property tax revenue has been increasing annually at about 6.5 percent per year. The cost of electricity has increased at an average rate of 33 percent per year for the last several years. The cost of heating has increased at the rate of 35 percent per year. Other costs related to the provision of school facilities are also skyrocketing at rates far in excess of the 6.5 percent growth in property tax revenue.

The relationship I am pointing to between facilities, property tax revenues and tax-exempt property also applies to many educational programs in the school system. But in overall balance, the problem with facilities is the most crucial, and in terms of the general pattern of financing education, the relationship to inadequate facilities of property tax-the problem of tax exemption has been long standing. When places of employment and residence are exempt, either the owners of the private property must pay a high tax cost for the services needed by all, or the services to all are of lower quality. Neither alternative is fair to the people of the city.

I do not criticize or diminish the value of Federal categorical aid to school systems. Its use in Birmingham has been of great benefit to the students. Federal as well as state earmarking of expenditures, coupled with the underfunding of full indirect costs, plus the rapid escalation of those costs, plus the relatively slow increase in local property tax which is used to pay those costs, the combination of those has created a very serious problem in Birmingham.

Briefly stated, what Birmingham needs is an unearmarked half million dollars in impact aid funds in lieu of property taxes for low-cost housing, more than it needs additional funds for any other purpose.

Again, I hope the committee and its members, and the members of Congress will continue their efforts to restore such an appropriation in the education budget for next year.

Thank you.

Chairman PERKINS. Thank you very much, Dr. Cody.

Go ahead, Mr. Pinney.

STATEMENT OF GRANT PINNEY, ASSISTANT SUPERINTENDENT, SIERRA SANDS UNIFIED SCHOOL DISTRICT, RIDGECREST, CALIF.

Mr. PINNEY. I am Grant Pinney, Assistant Superintendent, Business, of the Sierra Sands Unified School District in California. I certainly appreciate this opportunity to present testimony to this distinguished group of people. For 24 years I have been in the China Lake/Ridgecrest, California area. I mention this because most of you will remember the China Lake School District who will not recognize the name of Sierra Sands Unified School District.

The Sierra Sands Unified School District has as its primary employer the Naval Weapons Center at China Lake and has 70 percent impaction of A and B children under P.L. 874. As you can see, P.L. 874 money is our lifeblood. Since we have no other industry, the taxable assessed value of the school district is primarily the homes in the area. The second largest employer is the school district itself, third is the community hospital and fourth is a federally owned Post Office serving the 2,500 square miles of the desert area. Little assessed value is available from these employers.

The reason I feel so strongly for B category funding of P.L. 874 is that we do not have a property tax base which can support the education of the large number of impact children. Approximately 4,000 of our 5,600 students are impact aid children, but only 12.2 percent of our income is received from P.L. 874 funds. If the Category B money is cut out this year, our school district would succumb to the lack of Federal support of a Federal problem. It is extremely unfair for 30 percent of the population to have the responsibility of educating 100 percent of the children.

The place of employment historically has contributed 50 percent of the local property tax support of schools. As you can see, the problem in our district is that we have practically no employers in this area to pay the 50 percent of the tax money received, so the entire burden goes to the homeowners and the few small employers.

Our state, as you know, has passed Proposition 13 and drastic cuts have been made already. More cuts will be made when the state reserve runs out. Proposition 13 calls for a one percent taxation on the real value of taxable property in the school district. The one percent must be shared by county, city and school district entities. This, you will admit, is a meager tax to provide services and education in the community.

It is amazing to note, however, that if we could apply this meager one percent tax to Federal property within our school district that the income to the school district in this area would be $20 million a year. This amount of money is nearly double our present total expenditure per year. In my opinion, and I think the facts bear it out, in heavily impacted districts such as ours the goverment is simply neglecting its responsibility to educate the children of the military and civilian families who are wards of the government.

Since 1963 this impact aid money has been cut back in our school district in several ways: less money has been appropriated each year; the China Lake Naval Weapons Center has forced residents to move off base; consequently 1,500 children have been converted from A category to B Category, resulting in loss of Super A funding and an 82.72 percent loss of the local contribution rate. We presently have the same number of impact children that we had five years ago but receive only about 17.28 percent of the LCR for 3,000 of these children because they are now civilian B children.

In the State of California and in many other states, B Category children are treated the same in the consideration of state funds per pupil. Whether military or civilian makes no difference since the sales tax or license fees are not a part of the school revenue. I am completely unable to understand why a difference is considered when funding the B Category children. I might ask, are the children

of a research scientist not as important as the children of a Naval officer?

In the situation at China Lake, the military play only a support role to the hundreds of civilian scientists. The children of military number 450 and the children of the civilians number 3,550. A unique role is played here in the research and development of military weapons.

Regardless of the reasons for the large amount of reduction in P.L. 874 money, it remains that the Sierra Sands Unified School District is the financial victim of the action.

My recommendations for funding levels for fiscal 1979–80 as we face the Congress this year, and face a possibility of cuts to Category B children that spells disaster to the China Lake Naval Weapons Center area are:

1. To prevent disaster in many impacted districts, give top priority to funding the hold harmless at 90 percent of last year;

2. Treat civilian and military B children the same where the burden is as great as in our school district;

3. Give high priority to full funding of entitlement of districts with 50 percent or more impact students;

4. I feel that if the committee believes that districts with a 20 percent A student population should have more money, then it follows that a district with a 50 percent total impaction should have additional money and the appropriation action should so state.

Our primary concern today, however, is still let's fund the B Category children. Thank you, gentlemen, for the opportunity of appearing before this distinguished group.

Chairman PERKINS. Thank you very much. Let me say that you gave some good testimony, and we appreciate your appearance.

I notice that Congressman Buchanan is now here. Your hometown school superintendent from Birmingham just gave some excellent testimony, and I thought you may want to make an observation at this time. Go ahead, and then we will call on the next witness.

Mr. BUCHANAN. Thank you so much, Mr. Chairman. We are deeply proud of Dr. Cody's leadership, not only in our city where he has been a force for good, but in education generally. I want to express my regrets to him and to you, Mr. Chairman, that a conflict of responsibilities made it impossible for me to arrive in time to hear his testimony. Across the hall the Postsecondary Subcommittee, on which I serve as ranking minority member, is conducting a rather important hearing. As I am sure the Chairman already knows, the Administration has just undergone a sudden and wonderful conversion and has retreated from a position which would have severely cost 700,000 or 800,000 independent students in the coming school year.

We were involved in that matter which is the reason for my delay. But I want to express our great pride in Dr. Cody, and thank him, not only for his presence here today, but for his continuing leadership. Thank you.

Chairman PERKINS. All right, thank you, Mr. Buchanan.

We will next hear from Mr. Jack Matlock of Sacramento. Go ahead, Mr. Matlock.

[The prepared statement of Mr. Matlock follows:]

TESTIMONY OF JACK MATLOCK, ASSISTANT SUPERINTENDENT, GRANT JOINT UNION HIGH SCHOOL DISTRICT, SACRAMENTO, CALIF.

I am Jack Matlock. I am Assistant Superintendent of the Grant High School District, Sacramento, California which serves the McClellan Air Force Base and other federal facilities.

Mr. Chairman, may I take a moment to underscore the importance of Impact Aid to the Grant District. I should like you to know that two of our Board Members are so concerned over this loss of funds that they have taken personal leave from their own jobs to be here today. Our President, Mrs. Josie Washington and Board Member Jesus Genera both have young children who need their attention at home, yet they are here trying to restore funding. We thank them for their interest in education and hope you will join in their labors.

Attached to our comments Mr. Chairman are letters from several of our neighboring districts and we ask that they be considered a part of the Committee Report.

We should like to make general comments on the need for Impact Aid and then some specific comments as to the loss of Impact Aid funds on the Grant District.

The Sacramento area is one of the most heavily impacted areas in the state. Federal facilities include McClellan Air Force Base, Mather Air Force Base, Army Signal Depot, Coast Guard facilities and a multitude of federal buildings to name but a few. Travis Air Force Base is also 45 miles west of Sacramento.

Federal employees do have children and as school administrators we thank them for that! However, it seems PL 874 funds are once again in danger of extinction. This time the "B's" and "hold harmless"—next time, the "A's". There are those in the Office of Management and Budget who continually claim that Impact Aid funds are no longer necessary—that parents of "B' students are tax paying members of the communities in which they live thereby relieving the federal government of any financial responsibility. This is only partly true and I would like to illustrate how this argument breaks down when we examine the basic facts.

First a little background on the tax structure in California as it applies to school financial support using a very simplistic example.

Of every one hundred dollars ($100) of funding—exclusive of federal programs—approximately seventy dollars ($70) comes from state sources and thirty dollars ($30) comes from local property taxes. It is this latter $30 that the Office of Management and Budget claims is supported by the federally connected parent through the purchase or rental of real property. Not so Mr. Chairman! The $30 is supported two-thirds by business and industry and only one-third by the local homeowner. Business and industry property taxes, not homeowner taxes, must bear the lions share of local effort. Where is the federal facility in this picture? It is surely a business or industry comparable to General Motors or RCA except in one important respect—it pays no property tax for the support of schools.

To illustrate—I visited Congressman Matsui's office in the federal building in downtown Sacramento just two weeks ago. Next door, within 200 yards, was the IBM building. Both were approximately 8 stories, about the same size and probably employed about the same number of parents having the same number of students. When the IBM employees left work to go home they contributed property taxes for the support of their children and so did their IBM employer! When the federal employee went home, he too contributed property taxes—but what about his employer? Nothing in direct support of student education—thus we turn to Impact Aid to get the federal government to pick up its share. The illustration, Mr. Chairman is so simple, yet I am at a loss to understand why the OMB and the President cannot get the picture. Maybe it's too simple for Washington, D.C., but it is certainly self evident for school people who are charged with the responsibility for the education of federally connected students!!

So much for the case for Impact Aid in general. May I take a few minutes to speak directly to the impact on the Grant High School District.

General District Information

The Grant District enrolls nearly 12,000 students in grades 7–12. These students are housed in five senior high schools, eight junior high schools, a continuation high school, two alternative schools, an Opportunity School, and a special education center. This district is represented by Honorable Bob Matsui, 3rd

District; Honorable Vic Fazio, 4th District; and a portion by Honorable Harold (Bizz) Johnson, 1st District.

The latest ethnic survey indicates a student population of Asian—3 percent, American Indian—2 percent, Mexican-American—12 percent, Black—16 percent, and White—67 percent. About 3,700 students (31 percent) are from homes receiving public assistance—about 20 percent of the students have a parent employed by the Federal Government.

The Grant District employs approximately 750 certificated staff members and about 370 non-teaching employees and has a budget of approximately $26,000,000 of which $800,000 comes from Impact Aid.

Geographically, the Grant District is located in the fertile Sacramento Valley, 90 miles northeast of San Francisco and 100 miles west of Lake Tahoe. The District encompasses the northern portion of the City of Sacramento and unincorporated areas to its north, covering approximately 100 square miles. Within the District are located five suburban and rural communities.

Economically, the Grant District is dependent on several main employers. Since Sacramento is the State Capital, many State and Federal offices are located here. McClellan Air Force Base, with both civilian staff and military personnel, is located in the District. The Sacramento Signal Depot (U.S. Army) and Mather Air Force Base are a few miles distant. In addition, branches of Aerojet-General Corporation and Douglas Aircraft are located in or near the City of Sacramento. This area is a well-known agriculture center and is especially known as a large producer of rice.

In analyzing the socio-economic description of the Grant District, please bear in mind that we have unemployment rates as high as 29 percent. The District has a high migratory factor which means that people are moving into and out of the area rapidly.

The District maintains special programs for educable mentally retarded, the trainable mentally retarded, mentally gifted minors, and educationally handicapped minors. Special provision is also made for children with varied physical health including the blind, partially sighted, hard of hearing and those with special physical problems.

The Grant Special Education Center has accommodated a number of federally connected students since the opening of this school.

During the school year 1977–78, 20 percent of the students at the school Center were federally connected students and in the present school year 1978–79, 17 percent. In other areas of special needs such as blind or deaf or physically handicapped student, it is particularly important to the federally connected family to seek out school districts that provide outstanding programs.

The Grant Special Education Center has a national reputation of providing exceptional services for handicapped students. The program has been used as a model for foreign countries as well.

There are those who say that these special students are already funded under various categorical programs. However, we hasten to point out the matching fund requirements of these programs as well as the fact that the Grant District spends nearly twice what it receives in categorical aid for these students. This is another area where Impact Aid is used to benefit the federally connected student.

This year, when Proposition 13 and similar tax reduction measures are popular, it seems that Impact Aid is once again easy prey for those who do not understand the program. Please consider the consequences to the Grant District:

1. The Grant District receives approximately $800,000 or roughly 3 percent of its total 1978–79 budget from Public Law 874 funding. Yet, we have approximately 2,500 "B" category students whose parents are federally connected and these students represent nearly 21 percent of our enrollment. Simply stated—3 percent funding for 21 percent of enrollment.

2. The Grant District has already sent layoff notices to approximately 120 teachers in the regular day program. An additional ½ million dollar cut will come from other programs such as summer school, adult school and in classified employee support services. A total reduction of some 2 million dollars for the ensuing 1979–80 school year.

3. If Public Law 874 funds are also eliminated, the further impact to student programs will be devastating. A reduction of $800,000 in Public Law 874 funding could require that layoff notices be sent to an additional 57 teachers or nearly 10 percent of our remaining certificated staff.

The loss of 57 teachers would be the equivalent of closing a school of 1,500–1,700 students.

Another way of expressing the impact is in terms of class size. Our district's average class size would increase by approximately 20 percent next year, nearly 10 percent of which would be attributable to the loss of Public Law 874 funds. An 800,000 dollar reduction is also equivalent to:

The total amount spent for all the counseling and welfare services for 12,000 students currently enrolled.

The total amount spent for all maintenance of buildings and equipment and transportation of 2,500 students daily.

One and one-half times the amount spent annually for all utilities for the entire district.

Twice the anticipated reserve funds of the district.

The combined amount spent for librarians, physical and mental health personnel and classroom instructional aides.

The combined amount spent for all books, instructional supplies and equipment in the district.

4. The impact of McClellan Air Force Base, Mather Air Force Base, army facilities and other federal tax exempt facilities in the Sacramento area is well documented. These facilities are of economic benefit to the city, county and state. However, the benefit is not without its price where educational requirements are concerned. Transient military and career civil servants have children who need an education. It seems, therefore, reasonable that the small amount of federal income for a "B" category student should be continued.

In conclusion, Mr. Chairman, it seems a gross contradiction when the federal government appropriates approximately 4 billion dollars for a CETA program to provide jobs for the unemployed while at the same time it will not appropriate $350 million dollars to prevent layoffs of teachers or other staff. Please understand the Grant District is not insensitive to the needs of the unemployed. On the contrary, if funds for "B" category students are not restored, we are concerned that we will be contributing to the problem by a further reduction of staff.

Aside from the very human aspects of layoff notices, however, we must consider the adverse affect on students. Surely the retention of educational programs for students deserves at least equal consideration with the needs of the unemployed.

Mr. Chairman, you and this Committee have been true friends of Impact Aid in the past and we seek your continued help in the tough struggle ahead.

We appreciate this opportunity to appear before your Committee. We will be happy to respond to your questions.

NORTH SACRAMENTO SCHOOL DISTRICT,
Sacramento, Calif., April 2, 1979.

MR. JACK MATLOCK,
Assistant Superintendent, Grant Joint Union High School District, Sacramento, Calif.

DEAR MR. MATLOCK: It is my understanding that you are planning a trip to Washington, D.C. in order, personally, to advocate for the retention of "B" category eligibility under the P.L. 874 impaction statute.

Please be advised, the North Sacramento School District's entire eligibility is based on "B" category children and with the loss of this eligibility I estimate $50,000 to $60,000 income would be lost annually.

In the post Proposition 13 era, this would be a most serious loss indeed.

Your efforts in our behalf will be appreciated.

Very truly yours,

WILLIAM G. VANASEN,
Deputy Superintendent, Support Services.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT,
Sacramento, Calif., March 13, 1979.

Hon. VIC FAZIO,
Longworth Building,
Washington, D.C.

DEAR MR. FAZIO: The Sacramento City Unified School District is requesting your support in preventing any further reduction or elimination of Public Law 874 federal impact aid monies to school districts.

Federal military installations in the Sacramento area, such as McClellan AFB, Mather AFE and the Army Signal Depot, coupled with several housing projects, generates an average of 3200 additional impact aid "B" students in our district. These students represent approximately 7.7 percent of our 41,465 students involving an expenditure per pupil of $1,935 or $6,192 per year.

Excessive inflation plus a $7,000,000 reduction in income during 1978–79 resulting from Passage of Proposition 13 has severely affected our financial resources. Our average income from Public Law 874 impact aid over the past 3 years is approximately $558,693 per year. Dramatic examples showing how this money could be used to pay for any one or a combination of several required District expenditures are as follows:

1. 27 teaching positions (salary and fringe benefits).
2. 42 classified positions (salary and fringe benefits).
3. 95.4% of mandated liability, fire & theft insurance costs.
4. 85.5% of mandated O.A.S.D.H.I. costs.
5. 17.6% of mandated teachers retirement costs.
6. 47.5% of mandated classified employees retirement costs.
7. 15.6% of mandated employee group health plan costs.
8. 43.8% of required gas, water and light bills.

Inasmuch as we represent an urban school district with associated socio-economic problems, our expenditure per pupil of $1,935 greatly exceeds our state apportionment of approximately $1,250 per student. This difference is offset by some small amounts of local and federal income monies, such as Public Law 874 impact aid monies, which are extremely vital to our total financial resources.

The above reference data and information highlights the critical continuing need for Public Law 874 federal impact monies to our District. Your attention is directed to the reported Carter administration proposal for fiscal year 1980 to delete both Public Law 874 impact monies for "B" students and "Hold Harmless Funds" for such program.

We urgently request your support in the continued appropriation of Public Law 874 impact aid monies to school districts as a justifiable part of the school district's basic program support and not a luxury fund that goes to school districts that do not need the money.

Sincerely,

FRED J. STEWART,
Deputy Superintendent.

STATEMENT OF JACK MATLOCK, ASSISTANT SUPERINTENDENT, GRANT HIGH SCHOOL DISTRICT, SACRAMENTO, CALIF.

Mr. MATLOCK. Thank you, Mr. Chairman. I am the Assistant Superintendent of the Grant High School District in Sacramento, which serves the McClellan Air Force Base as well as a multitude of Federal facilities in that city.

Before I begin, may I express our thanks to Congressman Fazio for making a personal appearance. We appreciate his interest. We also have a statement from Congressman Matsui, who also serves a part of our district. Unfortunately, he too was in another committee this morning, but I am sure you will receive his statement at a later time.

Before I continue, also, may I underscore the statement that Mr. Pinney has made in saying that the Title 8 Center is a very low wealth district. I don't know where we stand in comparison, but I do know that the Grant School District, which I represent, is the second lowest wealth district in the State of California. And to underscore the importance of P.L. 874 to our community and the B students, two of our board members have journeyed here at their own expense and taken time from their jobs.

Our Board president, Mrs. Josie Washington, and Board member Jesus Genera both represent a large minority interest, and both have children at home which I am sure need their attention. But it is important to us and they are here to testify to that fact.

I will just hit some of the highlights, Mr. Chairman, of our report. As I mentioned, we are a very low wealth district. The Department of Management and Budget has long said that the B category students should not be funded by the Federal government. They have made the point many times that those parents who live off the base, they own homes, they support the local community through the tax on that home. That is only partially true, Mr. Chairman, and we would like to point out a couple of illustrations.

In California, as Congressman Fazio has said, 30 percent of our tax support comes from property tax. However, only ten percent of that comes from the homeowner. Where does the other come from? It comes from business and industry. What about the Federal facility in our district? They are surely a business and an industry just as much as a General Motors in our community or an RCA building in our community. Yet the one important aspect is that they pay no property tax for the support of education.

I would like to more vividly give you a simple illustration of that. When I visited Congressman Matsui's office just two weeks ago, I stood across the street and in the very large Federal building, some eight stories, set exactly next door to an IBM building. I stood there and I watched around 5:30 in the afternoon when people were exiting.

Employees from both of those buildings, the IBM employees and the Federal employees, went home to their homes. They supported their children, and they wrote their tax bills. IBM also wrote a tax bill. What can we say of the Federal facility? Zero, Mr. Chairman. And that is what impact aid is all about.

We have those students to support in the schools, and yet there are no Federal monies from that tax-exempt Federal property. So much the case, a very simple case, for our need for impact aid. But I would like to tell you what an impact aid loss will do to the Grant District, already an area which is heavily impacted, which has undergone the cuts that everyone in California is undergoing.

About 3,700 students in our district, roughly 31 percent, are from homes receiving some sort of public assistance. About 20 percent of the students in our district have a parent employed at some Federal facility. Our total ethnic make-up is roughly one-third minorities. I won't go into the geography of our district, but let me point out that the Grant District receives approximately $800,000 in P.L. 874 for support. This $26 million budget equates to three percent funding, as I have mentioned, over 20 percent of the students, or B Category students.

The Grant District has, within the last several weeks, had to send lay-off notices to over 120 teachers based on lack of funding. This, not yet considering the potential loss of P.L. 874. If we are to suffer the loss of $800,000 additional, let me tell you what it will mean.

It will mean approximately 57 more teachers directly involved with the educational programs for students. As Congressman Fazio has said, it will mean the equivalent of closing a school for us of over 1,500 students. Our class size will undoubtedly go up. Eight hundred thousand dollars to us is the equivalent to the total amount that we spend for all of the counseling and welfare services for 12,000 students currently enrolled. It is equivalent to the total amount we spend for maintenance of buildings and equipment, and the transportation of all 2,500 students that require transportation daily. It represents 1.5 times the amount that we spend annually for all the utilities in the district. It is twice the amount of anticipated reserves that we will have after we get through this year, and of the $26 million budget, we expect to have $4,000 at the end of this year if we are lucky.

Eight hundred thousand dollars represents the combined amount spent for all the librarians, physical and mental health personnel, and classroom and instructional aids in our district. And lastly, $800,000 represents the combined amount that we spend for all books, instructional supplies and equipment in our district. That is a serious impact, Mr. Chairman, a serious impact.

It seems to us, Mr. Chairman, when we look at our budget and we apply for EDA monies to help us build and put people to work, when we apply for CETA funds from other programs that are designed to help the unemployed, it is a gross contradiction of priorities to speak in billions for those programs to help the unemployment picture, but yet the elimination of B's, which is a relatively small amount, in the low millions, would in fact displace people and put them on the unemployment rolls, for which we again have to budget a certain amount for unemployment. So it does seem a contradiction of priorities when we have to cope with that.

However, aside from the human aspects of unemployment, we are speaking of 57 teachers whose primary mission is going to be to educate the children, who represent the future, who are trying to obtain skills so that they can cope, so that they can get off of the unemployment picture in our community.

We feel that P.L. 874 funds truly represent a source of income that we can ill-afford to lose. We will have drastic changes cast upon us next year if we do not receive those funds.

Mr. Chairman, may I close by saying that we recognize the tremendous amount of support that we have enjoyed from you and the committee, and thank you very much.

Chairman PERKINS. Thank you for some valuable testimony.

Mr. Williams, did you want to make an observation?

Mr. WILLIAMS. Yes, Mr. Chairman. I appreciate your recognizing me out of the regular order here. I have an important meeting to attend, and I am about to be late. But I did want to make the point that it is obvious from the testimony of these gentlemen that what we are really talking about here today is whether or not we are

going to raise property taxes in this country in any significant amount, and we have to face what the issue is here, Mr. Chairman. It is whether or not we are going to raise property taxes. Impact aid goes to 43 school districts in this country, and for 29 years, almost 30 years, those school districts have used that aid unlike other categorical Federal programs which target special needs. To cut impact aid is to cut teachers' salaries, our utilities services, our instructional materials or the gasoline for the buses or the cars which the educational community uses.

So I have joined with about 75 of my colleagues in sending a letter to the Honorable Congressman Natcher, Chairman of the Subcommittee on Labor, Health, Education and Welfare, telling him that that is really what the issue is, whether or not we are going to raise property taxes in this country. Because let's face it: America is as committed today as it ever has been to provide a proper education to its children. The question is: Who is going to foot the bill? That is what the issue is today, because we are going to continue to provide that kind of education for our children. It is just whether we are going to shift a burden which has historically been to the Federal government back to the already overburdened local property tax payers.

Thank you very much, Mr. Chairman.

Chairman PERKINS. Congressman Kogovsek, do you want to say anything this morning?

Mr. KOGOVSEK. Yes, I appreciate your recognizing me at this time. I want to commend the gentlemen that are here in front of us this morning, but also the people who are sitting behind them for being here and for providing the type of testimony that I think this Congress needs on this issue.

I don't have anything to say except for the fact that I concur with everything that has been said this morning. I have in the Third District of Colorado, which covers all of Colorado, some very highly populated military installations. I know the position we would be in, Mr. Chairman, without the impact aid that we seek.

I think it is unfortunate that year after year after year we have to find ourselves in a situation asking you to come back here to testify to support what we already know is a definite need. But I would like to complement the chairman of this committee for his help over the years in assuring the people of my district and the people of the United States that they will be treated fairly in the areas where we have highly populated federal installations.

Mr. Chairman, with that I just want to let you know that the people of my district appreciate the fight that you have led for us over the years, and we will continue to rely on your leadership.

Chairman PERKINS. Thank you very much.

Inasmuch as we are going at 11 o'clock, I think all the members should be given an opportunity to make an observation.

Mr. Goodling first.

Mr. GOODLING. I would make a very quick observation in that I would hope someday we will have enough people in Congress who have enough courage, in spite of everyone who testifies here, to deal with part B problems.

When I talk about part B, I am only talking about the part B that will define youngsters going to school who may or may not live in the district where their parents are working in some Federal installation. It is very difficult for me in my district to have three military installations or depots, where the people who live in the areas are most capable of taking care of their educational programs. Many of my poorer school districts are sending tax dollars to Washington, D.C. so we in turn can send it back to my richer school districts. Now, there is something wrong with that kind of thinking.

Sometime, I hope, people will come here and testify about the inequities of part of part B.

Now, the President's approach, as I see it, is not the proper approach. But there has to be something done so that when I go back to a school district I do not have to say well, I am sorry, the tax dollars you sent are in fact going back to—and I could name those school districts who are quite capable of handling their own financial problems. So I just hope sometime the testimony will be geared strictly to not how badly we need all this, but where the inequities are, and how we can change those inequities so that we can use the resources we have on the Federal level to get the money to the youngsters who are in most need of that money.

As I said, there is part of part B that we must sometime realistically face. The youngsters in my area who benefit from that part B money, their parents generate some of the best income we have. They bring about sales, purchases, and so on, far superior to many other areas in my legislative district. So I would hope that the next time you appear here you concentrate wholly on the inequities of part of part B funding so that we can somehow realistically attack that.

I don't question that you need some cash in lieu of the property that is used for the Mechanicsburg Depot, the New Cumberland Depot, Carlisle Army War College. I don't quarrel with that. But I do have a real problem with some of the part B money that is sent back to my district to areas that can much better afford to go it alone than those other school districts in my district that are in fact paying taxes in order to send it back to the welfare districts. I certainly wouldn't think that you could deny the fact that some of the wealthiest school districts in this country do well under part B money and some of the poorest school districts in this country, of course, are left to fend for themselves.

That is just an observation. I really don't have any questions. I think some of my colleagues will have some questions.

Mr. ERDAHL. Thank you very much, Mr. Chairman. I would also like to make some observations. I think one we would all agree with is the equitable distribution and use of Federal, state and local tax monies to see that every single child in this country, regardless of where he or she lives, or for whom the child's parents might work, has the best possible education. I think that is a goal we probably share.

Another observation I would make in coming from Minnesota as a new member of Congress, where I think we have a really good system of trying to shift the tax burden from local property tax to a state income tax. That was not all that popular either, but it seems

like it is better. The better educated the people tend to be, the higher their income tends to be, and they are more able to allocate part of their income to help educate others.

I also note the Administration's position—President Carter's—regarding Category B, which I guess brings most of you people here today. I am not here to defend the President. I happen to be a Republican, and the only good thing he did for me was to come and campaign for my opponent.

[General laughter.]

Mr. ERDAHL. But he and some of the other critics do raise some questions that I think need to be answered. I would have to say that I have found the testimony today to be most helpful, and frankly quite persussive. But I will also be candid with you and say I have not decided how I am going to vote on this issue.

We moved into Fairfax County, Virginia. Many of the Congressmen in this body live in Fairfax, or Montgomery County, Maryland. where we have homes selling for $100,000 to $200,000 and more, I think Mr. Goodling raises a very significant question. I don't dispute the fact that for some of your districts that some type of impact aid is needed to compensate for the Federal property that has been removed from the tax rolls. We have throughout this country thousands of school districts, and maybe we need to define a system to compensate the federally-impacted districts with more equity so that in fact we are not taking money from some relatively poor districts and pouring it into counties with the highest per capita income in the country, such as Montgomery and Fairfax Counties and I can think of some back in the suburban area in the Twin Cities as well.

I would just raise those as some questions that I think we need to consider, and at the same time try to see that we do get the funds where they are needed in some of the districts from whom we have heard today. I thank you for this opportunity, Mr. Chairman.

Chairman PERKINS. Mr. Buchanan?

All right, we will go ahead with testimony.

Mr. BUCHANAN. I didn't intend to not take my time. I just wanted to allow him to respond. But let me just say one thing, if I may, Mr. Chairman.

Chairman PERKINS. Okay, go ahead.

Mr. BUCHANAN. I have now had the opportunity to read the testimony of the witnesses. I want to join in expressing appreciation for it. We are in a very difficult time, I am afraid, in this government.

As I mentioned earlier, this morning the Administration reversed its position on a matter effecting some 700,000 or 800,000 students for whom the Congress had provided benefits. It was a matter of law which the Administration chose to ignore and was not going to fund in the coming school year. In this matter, the legislation, passed by Congress, requires the funding of specific levels for B children in the first and second tiers, which the Administration has proposed not to be funded in 1980. I certainly appreciate the President's efforts at fiscal responsibility, but there is such a thing as obedience to law which is still made by the Congress.

I am so sorry that my fellow Baptist and friend downtown has backslid.

[General laughter.]

Mr. BUCHANAN. It was converted to the matter of independent students this morning, perhaps they can be converted in this matter also. I hope so.

Chairman PERKINS. All right, our next witness is Mr. David Perdue of Perry, Georgia. Mr. Perdue?

STATEMENT OF DAVID PERDUE, SUPERINTENDENT, HOUSTON COUNTY SCHOOLS, PERRY, GA.

Mr. PERDUE. Thank you, Mr. Chairman. I am David Perdue, Superintendent of Schools of Houston County in Georgia. We have located in Houston County Robins Air Force Base. In the early 1940's the United States government came to our county in a little town known as Wellston, Georgia, with a population of 53 people, and purchased 7,200 acres of land on which Robins Air Force Base was constructed.

In the last five years, Robins Air Force Base and the United States government have seen to expand that base by approximately 500 additional acres, with a total acreage of approximately 7,700 acres of land out of Houston County.

In fiscal 1977 the capitalized facilities value of Robins Air Force Base was approximately $187 million. Housed on that property were depots and warehouses which contain half a billion dollars worth of Air Force equipment and materials.

Mr. Chairman, and members of this committee, if that facility or a like civilian facility were placed in the tax digest of Houston County on which we could levy the money which we now levy, I would not be in Washington today, and I don't believe any of my fellow cohorts in the county government, welfare, health, and so forth, would ever have to come to Washington and persuade or beg the Congress to send us Federal money to take care of our own business.

We have a student population in Houston County of over 15,000 students, an average ADA—average daily attendance. Forty-seven percent of those students are federally connected. In fiscal '79 our P.L. 874 entitlement, the $1,523,000 projected in the FY '80 budget, and if the present Administration's proposal of eliminating 3B children from this payment, the Houston County School District will lose $1,300,000.

I must say that since the early fifties, when Public Law 874 was passed by the Congress, Houston County has prospered academically, has prospered populationwise. We have a good school system. We have been able to employ personnel over and above what we normally would have been if we had to depend strictly on the local tax, and the state aid that we get. With a loss of $1,300,000, we have two alternatives. Either we must raise taxes to offset the $1,300,000, or we must cut personnel, reduce services, and the end result will be nothing but harm for students.

Our students in Houston County, those on Robins Air Force Base, those military students, those from parents who live off but work on government property are entitled to the same type of education as those who are in richer districts. Our district also happens to be one

of the poorer districts in the State of Georgia. Out of 187 school districts, we rank number 152 in wealth per student on which we can levy local taxes to carry on our school operation.

If it comes to the point that we must raise taxes, and certainly this is not the popular thing in this era at the present time in which we are living, especially since the advent of Proposition 13 in the State of California, we all sympathize with them and we know they have problems, but it is going to bring problems to us as well because the hue and cry over this nation is tax relief. Our state legislature just concluded their annual session last week. The only issue of any significance that came out of that legislative session was tax relief, and do you know what? They had $75 million in surplus money they wanted to give back to the taxpayers, and they couldn't determine how to do it except to give it back to the individual school systems through average daily attendance, so much per child, with the recommendation that the school systems use that as tax relief for property owners in the State of Georgia. This is going to create problems in trying to determine how we shall do it, but nevertheless, I hope that we don't have to say to our people in Houston County for fiscal 1980 that we must levy, and all we can do is levy $4 million additional tax.

There is a constitutional limitation in our state, a maximum of 20 mills of school districts to levy unless they are in a special school district for that school district. This will not offset the amount of money that we are going to lose from the loss of impact aid money. I would hate to say to the people that we must levy the additional tax because the Federal government has not lived up to their obligation of paying for the federally-connected students in lieu of the property that had been removed from the tax digest of Houston County.

Mr. Chairman and members of this committee, I trust and I hope that the Federal government will continue to resume and continue to assume their responsibility in providing assistance on education to students who are living in our school district because of the Federal activity that is located there.

Thank you so much.

Chairman PERKINS. Thank you for your excellent testimony, Mr. Perdue.

[The complete statement of Mr. Perdue follows:]

HOUSTON COUNTY BOARD OF EDUCATION,
Perry, Ga., April 4, 1979.

Hon. CARL D. PERKINS,
Chairman, Committee on Education and Labor, Subcommittee on Elementary, Secondary and Vocational Education, House of Representatives, Rayburn Office Building, Washington, D.C.

DEAR CONGRESSMAN PERKINS: I consider it a distinct honor and privilege to testify before this astute body this morning.

Houston County School District is located in the Third Congressional District situated in Middle Georgia.

Houston County historically is a rural farming county and basically remains the same today.

In the Northeast section of the county today is located Robins Air Force Base, Warner Robins, Georgia. In the early 1940's Warner Robins, Georgia, was known as Wellston, Georgia, a small farming community with a population of fifty-three (53) people. The United States Government constructed an Air Depot in this community on 7,245 acres of land. Since that time Robins Air Force Base has expanded to 7,629 acres of land. In 1977 the Capitalized Facility Value of Robins

Air Force Base was $185,731,398 with more than $1.5 billion of Air Force equipment and materials stored in warehouses. If the $185,731,398 were placed on the tax digest of Houston County at 40 percent, it would produce an additional $74,292,560 against which we could levy 16 mills which would produce an additional $1,188,681 for school operations.

Then, if $1.5 billion in inventories were placed on the tax digest at 40 percent of true value, it would produce an additional $600,000,000 against which we could levy an additional .02631 mills (mileage rate for Industrial Inventories) which would produce $15,786,000 for school operations. The total loss of taxable property to the school district amounts to $1,188,681+$15,786,000=$17,174,681.

The population of the City of Warner Robins has grown to 42,800 and with other town and surrounding areas in the county, the total population of the school district from the 1975 Census is 77,295 and is projected to be 89,530 with the 1980 Census.

The Houston County School District has a student population of 15,000 students in average daily attendance. The student population is as follows:

Total 3A students	580
Total 3B students	6,368
Total federally connected	6,948
Percent of federally connected (Percent)	47

Fiscal year 1969 entitlement based on tier 2 funding:

3A entitlement	$358,216.35
3B entitlement	1,162,988.21
Total fiscal year 1979 entitlement	1,521,204.00

The Houston County School District is dependent on tax revenue from land owners, farmers, commercial and industrial property for the operation of the school district. The total tax digest of the County is $273,207,346.00 on which the school district levies 16 mills tax which produces $4,371,317.00 for the maintenance and operation of the school district.

The total school district budget for FY 79 is $19 million plus dollars. Of this total amount 26 percent is received from local tax revenues, 64 percent from State funds, and 10 percent from federal impact funds.

In the Houston County School District Public Law 874 federal impact funds are used for the employment of additional personnel to provide educational and enrichment programs that cannot be provided without these fnuds.

It is projected that under the President's proposed FY 80 budget Houston County School District would lose $1,334,803.00 in funds for Category 3B students. If the Federal Government fails to provide these federal funds in lieu of taxes for Robbins Air Force Base being excluded from the tax digest, the Houston County School District would have but two options: (1) raise taxes, or (2) reduce personnel, services and programs.

We could levy only four additional mills taxes as we presently levy 16 mills and by State law we can only level a total of 20 mills. In order to go beyond this limit we must have an approved constitutional amendment. On our current digest one mill taxes bring in only $273,207.00. Consequently four additional mills taxes would bring in only $1,092,828.00 which would not be sufficient to replace the loss of a projected $1,224,803.00 in 3B funds.

In our county the hue and cry of all taxpayers is tax relief as is the case nationwide. Although our Board of Education sets the school milleage for school operations, our County Commissioners cannot under state law reduce the millage, we feel that now is not the proper time to have to raise taxes and say to the taxpayers we had to do it to offset the loss of impact funds from the Federal Government because of non-payment for 3B students.

Reduction of personnel, services and programs would do harm to the students who are entitled to the best in education that can be provided. The cost of education of a student in the Houston County School District is only $1,100.00 which is below the state of Georgia average and below the national average.

We feel that since a federal installation is located in Houston County the Federal Government should continue to assume its responsibility in providing assistance in educating students who are living in our school district because of this federal activity.

May I humbly say thank you for permitting me this opportunity to testify before this astute body.

Sincerely,

DAVID A. PERDUE,
Superintendent, Houston County Board of Education.

The next witness is Dr. David Fish. Go ahead, Dr. Fish.

STATEMENT OF DR. H. DAVID FISH, PRESIDENT, IMPACTED AREA SCHOOLS, SAN DIEGO, CALIF.

Dr. FISH. Thank you for the opportunity to speak.

Chairman PERKINS. All of your prepared statements will be inserted in the record, all of them without objection.

If you want to make any off-the-cuff remarks, you have that opportunity, or proceed in any way you see fit. Go ahead, Dr. Fish.

Dr. FISH. Mr. Chairman, I would like to in my testimony make reference to San Diego, which as you know is Navy Town on the West Coast. There are 17 military bases within our school district, and I believe I can answer some of the questions by Mr. Erdahl and Mr. Goodling in the context of looking at this as a national picture.

Property tax pays for education at the local level. The Federal government pays no property tax. Last week in testimony before the House Appropriations Committee the Administration testified that studies made a few years ago showed that if the Federal government paid property tax and in-lieu tax and payment of property tax could double or triple the cost for education alone, let alone other functions of government.

The Federal government is the biggest landholder. I use the example of San Diego, with our 17 military installations bringing 26,000 students to our community and costing us, it would reduce our tax rate ten percent if we had gotten that property on the tax roll, or 43 cents.

I also make the point here that impact aid is really a much more efficient and effective method. It pays the school district that actually educates the child. It pays where the service goes, and you heard many people in the course of this year's testimony on the recent Education Amendments say that the money should follow the child. The community that is impacted receives it. The problem is with many state financial programs, and last year or the year before, I believe it was, as the result of the amendments of 1974, the regulations finally came out and Congressman Quie from your State of Minnesota took steps that those regulations would be broad enough to encompass Minnesota's situation in any equalization program, so that if Minnesota equalized the program and improved the program, those high wealth communities, the monies they received from impacted aid would go to the other communities that needed them most, or would go into the state formulas.

So I think provision has been made that if educational reform and the equalization which is desperately needed in this country were to proceed, it would be taken care of.

We have arguments with those regulations because the door is so wide open, but many of our school districts would take a loss on that. I am not talking about high-wealth districts, either. Overwhelmingly the districts in impact aid are low wealth districts. Overwhelmingly they are districts with special educational costs. If you want to base property tax as a measure of wealth of a community, look at New York City, Chicago, Los Angeles, San Francisco, other communities that would technically be high wealth. But we

all recognize that they have fantastic burdens to carry on their municipal overburden and on the educational costs. A large number of very poor students live there.

I would like to mention specifically your counties of Fairfax and Montgomery. I always have trouble with Montgomery County, because there are 11 Montgomery Counties in our program. There is Montgomery County, Virginia, which is a poor county, Montgomery County, Ohio, Montgomery County, Alabama.

This is a national program from across this country. Fairfax County used to get a great deal more money, but since 1974 the money that they have been receiving from Washington, D.C. has been based on a phase-out of the program.

Yes, there are Federal installations in that community. Yes, they do not pay property taxes, and your taxes would be lower if they weren't there. It is very fortunate that there are wealthy people in those communities, but I am sure there are poor people there.

We look on impact aid as payment for a service. We don't hear the Federal government proposing to reduce payments in other areas where they pay for a service such as utility bills, because utility companies are wealthy. They have a monopoly. They devote only a small percentage of their income. I know that is not quite a fair statement, but that is the way our little communities see it.

I would like to mention in conclusion a few points. Impact aid is different from other programs. It is the only general aid program, and it pays for our basic instructional services. The teacher aid reduction and the teacher restriction cuts in schools, we are talking about the basic educational offerings. Impact aid pays for the services that the school provides the students. The categorical programs which meet special needs are all supplemental to this program, and we don't want to hold them in comparison. They are meeting individual needs determined elsewhere.

These are funds which go to the local community for local control. Impact aid proves that the funds do not bring with them Federal control. Also, impact aid is a dependent program. It depends on the Federal government. The reason that impact aid has grown over the years is that the Federal government has grown. It has taken much more land off of tax rolls. People do not realize how much.

Also, the Federal bureaucracy has grown. The Federal presence has grown. We only get paid for the child who is actually there in the count. Also it means this is a very efficient program. The GAO did a study two or three years ago in which the amount of contested claims was one half of one percent. That was contested. We are required to submit the claim and then the auditor comes by and declares out those which he cannot allow. This year, because of our concern about the B category, I would like to make three last comments about it.

There have been several studies on impact aid by the Battelle Foundation and by the Stanford Research Institute. In both of those studies they say there is logic for payment of the A student; there is logic for payment of the B student.

Secondly, people forget that there is a difference in rates. In San Diego we received in 1977-78 $900 for every A child. Even with state money and other things, we still put up $151 from local property tax sources for education of the A child. For the education of the B child we received about one-third as much. We received $291. The community of San Diego from the property tax base put up $808 per B child. Remember also that approximately half of the cost of education is paid from the property tax.

I will close with these comments, and we will welcome questions. We would like to submit—we would like to hold the record open if we can. We have other testimony that is coming in. Many of our people have had to travel all night to be here. The airline strike is slowing things up, and they would like the opportunity to speak.

[The complete statement of Dr. Fish follows:]

PREPARED STATEMENT BY DR. H. DAVID FISH, DIRECTOR OF SPECIAL PROJECTS, SAN DIEGO UNIFIED SCHOOL DISTRICT

Mr. Chairman and Members of the Committee: On behalf of the San Diego Unified School District, I appreciate this opportunity to present testimony on the importance of Impact Aid (PL 874 and 815) in providing education for the federally connected children who reside in our community and are served by our schools. In 1977-78, the San Diego City Schools average daily attendance was 118,409. Of this figure, 19,002 represents students who either live on federal property or whose parents work on federal property; and 8,293 represents students who live on and whose parents work on federal property. While the funding for the federally connected students represented only 6.01% of our budget, Impact Aid is a vital part of the basic educational program support for our school district.

This year, as in past years, a proposal has been made in the President's budget to fund only the Category "A" students (those who live on and whose parents work on federal property), and to not fund the Category "B" students in school districts. The administration has accepted that the cost of providing education to Category "A" students truly represents a financial burden on school districts.

If the Category "A" student is accepted for Impact Aid payment, then the Category "B" payment should also be made because the "Category "B" student usually lives on taxpaying property, but has a parent who is in the uniformed service or who works on nontaxpaying property, or the student may live in nontaxpaying low-rent housing. Congress commissioned the Battelle Institute and the Stanford Research Institute to study Impact Aid. Both reached the same conclusion. The Battelle Report concludes:

"Considerable controversy exists over whether the children who live in privately owned dwellings should ever give rise to Public Law 874 payments. Although the proposal was rejected by the Congress, the administration did recommend confining impact aid to 3(a) students in its fiscal 1970 budget proposals.

"While having considerable reservation over payments under certain circumstances to be described in later chapters, Battelle can find no logic to exclude payments for all of the (b) pupils. The analysis of economic burden developed in chapter 2 would indicate that circumstances do exist where 3(b) pupils alone do place a burden upon a school system."—(Battelle Report, p. 68)

The Stanford Report had stated the same premise, in similar words:

"It may be noted that once the burden principle is accepted, there is no reason to exclude Section 3(b) pupils from eligibility; these are pupils who live with parents who either live or work on federal property, but not both. They are almost entirely the latter, i.e., pupils whose parents work on federal property. Their eligibility rests upon the fact that school districts are generally unable to maintain, with reasonable effort, levels of expenditure derived only from residential property taxes. The burden is created by the absence of taxes on places of work. The burden in each district depends upon the balance of residential and business property in the district, and may be negligible for a predominantly bedroom community. Nevertheless, there is no justification in principle for excluding the 3(b) pupil from payment."—(Stanford Report, p. 8)

I would like to use San Diego as the example to show that Category "B" students also represent a burden and that providing funding to partially support education for Category "B" is also a federal responsibility. In San Diego, the burden is caused by military installations that are inside the school district and occupy the valuable real estate without paying property taxes. A partial list of these installations is:

Installation	Acres
1. Point Loma (does not include Cabrillo National Monument, Ft. Rosecrans National Cemetery, San Diego Sewage Outfall, Light House and Desalinization Site)	1,248.20
2. Antisubmarine Warfare School	27.88
3. Cholias Radio Facility	73.65
4. Coast Guard	22.75
5. Eleventh Naval District:	
Bureau of Yards & Docks	8.85
Headquarters & Supply Depot	21.62
6. Marine Recruit Depot	508.92
7. Miramar Naval Air Station	15,512.84
8. Navy Athletic Field	28.00
9. Chesterton Housing	145.90
10. Admiral Hartman Housing	152.06
11. Cabrillo Housing	105.29
12. Gateway Village	43.88
13. Navy Hospital	92.66
14. Naval Station	1,491.11
15. Naval Training Center	508.00
16. Sonar School	32.89
17. Navy Pier	5.90

The list is not complete and does not include any of the nonmilitary federal properties in San Diego. The October 1978 estimated market value of the land was $1,196,486,973. This estimate was on the value of land and does not include the value of any improvements. If these properties were on the tax rolls, they would have produced in 1977–78 a savings of 43.6¢ on the tax rate or a nearly 10 percent reduction in the school district's tax rate. Therefore, a burden is caused by the federal government removing property tax base that normally supports public services, particularly education.

The second major point about Category "B" payments is that they are reduced because of a lesser burden placed on the school district's resources. Again, I would like to use the San Diego example to illustrate the financial difference between Categories "A" and "B".

One major federal installation not included in the preceding list is the Navy housing in Murphy Canyon. In 1977–78, there were 4,673 students enrolled in the schools of San Diego from the 2,321 Navy housing units in Murphy Canyon. The administration's proposal does accept the reality that these children have no property tax directly associated either with where they live or where their parents work, and as "A" students, they would be funded. However, if the child's family moved from Navy housing (and the community has 18,383 children whose parents do provide homes but who do work on federal property), the school district received only $291 per child for support. The table below shows that the local property taxpayer helps support each student. However, it also shows that while the district received $949 for a Category "A" student, the corresponding payment of $292 for the Category "B" student nowhere near compensates for the loss of property tax base.

	Category A	Category B
Cost of education per student	$1,636.64	$1,636.64
State aid per student	536.37	536.37
Impact aid per student (average)	948.99	291.55
Local support per student from property taxes	151.28	808.72

San Diego is similar to the great majority of impact districts. Very few school districts receive support solely from Category "A". Where Category "A" and "B" students are present in the community, the school district does have a constantly changing position as students move from "A" to "B" categories depend-

ing on their place of residence. Usually the number of students in either category has varied over the years depending on housing construction programs, federal policies on military personnel, and other changes that are beyond the control of the local community. In providing for educational services, the school district makes no distinction between the federal status of the parent's employment or place of residence. However, the federal government does make a policy of delaying transfers because a school district provides services that are not available in other communities. As an example, the handicapped child is provided an opportunity to stay in a community to receive special educational services and the school district is not consulted as to whether it voluntarily accepts the responsibility of providing this additional service.

San Diego is also a good example of the continued role that impact aid has played in the community. The attached chart shows the receipts from 1967–68 to 1977–78 by the school district and the percent of enrollment and budget that was derived from federally connected children. It is apparent from a review of these figures that the fluctuation in Impact Aid as a percentage of the district's income has not been very great while the federal presence has declined slowly, but more students are living in Navy housing and are now Category "A" students.

Finally, San Diego serves as an example of what will happen in 1979–80 if Category "B" funds are not appropriated. HEW estimated that San Diego is entitled to $4,915,358 for Category "B" at the Tier II level of funding for 1979–80. If these funds are lost, the school district has no ability to raise taxes and no provision for additional state assistance. Therefore, the only alternative would be to reduce services. Since over 80% of the district's expenditures are for personnel and most of the remaining expenditures have already been trimmed to the lowest possible levels or are inescapable as utility bills, the only alternative is to cut staff. A loss of Category "B" funds, therefore, translates into laying off approximately 200 teachers or 300 classified staff and closing schools or other measures that will substantially lower the quality of education and create unemployment.

Impact Aid Category "B" is a justified and necessary part of San Diego's educational program support.

FEDERAL IMPACT AID TO SAN DIEGO CITY SCHOOLS, 1967–68 TO 1977–78

School year	Federal ADA for 3(a)'s	Federal ADA for 3(b)'s	Proration (percent)	Rate	Total receipts	Percent of district ADA	Percent of district GF budget
1967–68	5,579	26,484	3(a)'s at 98.0	$315.03	$5,810,595	25.13	6.33
			3(b)'s at 98.0	$107.515			
1968–69	5,804	26,432	3(a)'s at 91.7	$346.02	6,035,052	25.05	5.80
			3(b)'s at 91.7	$173.01			
1969–70	6,083	25,239	3(a)'s at 84.7	$364.69	5,777,148	23.62	5.74
			3(b)'s at 84.7	$182.345			
1970–71	6,010	23,531	3(a)'s at 90.0	$417.49	5,917,539	22.21	5.37
			3(b)'s at 74.5	$208.74			
1971–72	6,076	22,164	3(a)'s at 90.0	$450.32	6,105,555	21.42	5.08
			3(b)'s at 73.0	$225.16			
1972–73	5,649	21,911	3(a)'s at 90.0	$493.41	6,184,147	21.31	4.76
			3(b)'s at 68.0	$246.70			
1973–74	5,948	21,326	3(a)'s at 90.0	$556.86	7,018,685	21.42	5.11
			3(b)'s at 68.0	$278.43			
1974–75	7,168	20,226	3(a)'s at 90.0	$638.49	8,638,890	21.68	5.46
			3(b)'s at 70.0	$319.24			
1975–76	6,947	20,185	3(a)'s various	Various	4,184,984	21.57	4.63
			3(b)'s various	Various	3,867,993		
Total					8,052,977		
1976–77	7,759	19,446	3(a)'s various	Various	5,960,843	21.99	6.00
			3(b)'s various	Various	4,599,010		
			Hold-harmless "D"		1,292,260		
Total entitlement					11,852,113		
1977–78 (estimated)	8,293	[1] 18,383	3(a)'s various	Various	[1] 7,870,974	[1] 21.97	[1] 6.01
			3(b)'s various	Various	[1] 5,360,453		
Total entitlement					13,231,427		

[1] Low-rent housing funds are restricted to compensatory education programs.

Note: Receipts may not be included in the fiscal year indicated due to payment in a subsequent filed year.

Chairman PERKINS. Thank you very much, Dr. Fish.

Mr. GOODLING. First of all, I might say that if a couple of people remain in Congress much longer, the Federal government will own not only all of Alaska but all of the land in the United States, and you won't have any worries or you will have a lot of worries. I don't know which it will be.

[General laughter.]

Mr. GOODLING. Dr. Fish, I am not sure how you stated it, but you said something to the effect that money goes to the children who are affected, or something. I am not sure, but at any rate, money goes to the children where they live. Therefore there may be no tax laws whatsoever to the location of the Federal installation to that school district, because many youngsters live in another school district, and they receive the money in that school district if they have sufficient numbers.

Dr. FISH. If the state has a program of equalization, it would fall on the state by nature. That is what we would hope for. But remember, Congressman, it is played both ways. The local community that has the facility doesn't receive any income either, so the Federal government in effect—if it uses the district line as the boundary, is in effect getting out of the support of the education of the child in an instance.

Mr. GOODLING. The only point I am making is that you cannot use the argument that you would lose tax base to educate certain children if those children, in fact, did not live in that school district where that government installation is. They are living in another school district.

The point that I tried to make earlier is that I have problems with the President's proposal, when he talks "all of the." I have equal problem with the way the money is now distributed, for instance, in my district. The impact in my district is not on whether they would lose impact aid or not for Part B children, who live on an installation.

The impact is when the Federal government decides to move those installations, as they are now planning to move 1,000 people from the Army Depot Helicopter Maintenance to Texas, where they move everything else, for one reason or another.

[Laughter.]

Mr. GOODLING. That is the impact we are going to be faced with because we are going to lose that whole tax base. We are going to lose all of those people. My only question, or my only problem is that somehow or other, we have to get around to part of that Part B money, such as is in my district, where they really don't, in my estimation, deserve that kind of payment. It is unfair, then, to the poor districts in my same district, who are paying taxes, in fact, to send that money to those welfare districts. I am not talking about Army installations, Navy installations, military, this kind of thing. I am talking about the situation where we have depots who supply us with the economy that we have in that area, and that has not impacted us in any way, shape or form, because those people are mobile people who would not have a job if, in fact, those installations were not there.

Dr. FISH. Didn't they move to that community because of that?

Mr. GOODLING. No, they have employed our people basically, and some other groups, and the population grew naturally.

Dr. FISH. There are some other examples around the country, such as Idaho Falls, Idaho, where the testimony was given in the Senate last week by the superintendent of parks there, in which the Federal government took over the installation or made an installation for a nuclear reactor, allowed nobody to live near it, and bussed the workers from the community of Idaho Falls, which was in another county. That may be a unique situation, but we went through a number of those.

China Lake, for example, in California, used to be a separate district. It was located on a military base. Then the military made a policy change in which they bulldozed perfectly good housing on the base, and literally pushed the people into the next district.

The community eventually unified and solved that problem, but the effect was they would have simply pushed them off the base out and into another district. This has happened a number of times in a number of communities.

School district lines are not always rational as you know.

Mr. GOODLING. Just one brief observation, and I will be finished.

First of all, it would appear to me that the people who are represented here are not the people who we are concerned about in relationship to certain parts of Part B money. They are not here.

Secondly, another part that we may have to take a look at, if it is going to be new, is we could be paying low-rent public housing, for instance. We could be paying them twice the way the present situation is set up, which is another thing we will probably have to look to in impact aid. There is a possibility that they are getting paid twice.

Dr. FISH. How do you mean that, Congressman?

Mr. GOODLING. Well, first of all, we already have the program set up in relationship to taking care of those kinds of youngsters. Secondly, they are not there because of some business, or some government operation or function. They are there because that is where they have always lived.

Dr. FISH. I think that our next witness may be able to deal with that, Mr. Rutherford from Toledo Public Schools. I think he has got very good information on that.

Chairman PERKINS. We may not get to him because we have got an important bill on the floor today.

Mr. GOODLING. The chairman is telling me to shut up. [Laughter.]

Chairman PERKINS. I know the members want to be over there this morning.

Mr. ERDAHL. I had a couple of questions, Mr. Chairman, but I would yield to the witness because it has been very helpful to me as a new member, as I said a few moments ago, while we do have the statements here, I have not had a chance to read them yet, as they were just handed to me this morning. Maybe, since you are here, sir, you could briefly summarize, hit the high spots. If we could wait that long, Mr. Chairman, I would yield my time to the witness.

Chairman PERKINS. Let me ask you, did we get through Mr. Rutherford?

Mr. RUTHERFORD. No, Mr. Chairman.
[The prepared statement of Mr. Rutherford follows:]

PREPARED STATEMENT BY JOSEPH W. RUTHERFORD, ADMINISTRATIVE ASSISTANT TO THE SUPERINTENDENT, TOLEDO PUBLIC SCHOOLS

Mr. Chairman and members of the subcommittee. It is a pleasure to appear today to discuss a program which has tremendous benefits for our school district and for many others like it across the country. I am Joseph W. Rutherford, Administrative Assistant to the Superintendent of the Toledo Public Schools. I am here today because our schools are at the turning point and we need help.

The Toledo Public Schools have had a tough period during the last few years. We have had more than our share of crises. Our schools closed for lack of funds in 1976 and again in 1977. In 1978 we were devastated by a three-week strike which was directly related to our fiscal situation. As you know, school finance is a critical issue in the State of Ohio where school districts are fiscally and otherwise independent of other governments except, of course, the State of Ohio.

The problem of finance is intensified in Ohio's larger cities where the schools financial structure is linked with the cities fiscal condition. At the same time, city decision-making is not formally connected to the school system. One instance where this creates a complex problem for our schools occurs when public husing is concentrated in the inner city.

The inclusion of public housing in the Impact Aid formula recognizes the magnitude of this problem. The formula takes into account the fact that public housing is not merely a city matter.

The Toledo Schools, for example have an enrollment of 42,711 with 2,109 of these students residing in public housing projects. This represents about 98 percent of the public housing students in our entire county. As a result, in recognition of the problems created by this concentration of poor in our schools, the Lucas County Metropolitan Housing Authority has contributed payments in lieu of taxes of approximately $30,000 a year for the last 6 years. In 1978, the payment dropped to $26,304. This minimal amount can in no way respond to the demands on our system caused by the concentration of these students.

The concentration of poor children in school districts creates difficulties that are not solved by Title I. This results in costs for such things as lost text books, high absenteeism, extra visiting teachers, and additional instructional materials. Impact Aid provides money for the school district to maintain itself and provide services not eligible under Title I. The Districts therefore have the ability to set local priorities in ways as to supplement Title I activities. Title I funds are flowing nicely and are doing the job for which they are intended. The Congress and the Administration are fulfilling their commitment to the education of the poor. But Title I funds won't help our financial crisis. Impact Aid does.

We are asking this subcommittee to help our schools through Impact Aid. While the funding of education for day-to-day operations is not your responsibility the problems associated with the concentration of poor people have made the Federal Government an unintentional contributor to our problems.

Mr. Chairman and members of the committee, the funding of all of Impact Aid through Tier II would mean about $500,000 to our schools. On the surface this does not seem like a great amount to a district with a $84 million budget. However, after all the mandated personnel are hired, utilities paid, and other necessary functions are performed, there is very little money left to meet the problems directly associated with day-to-day operations. This $500,000 payment in lieu of taxes could represent as much as a 20% increase in current discretionary funds available to our district.

Providing necessary services for pupils from public housing has been an ongoing problem in school districts. Throughout this time, the local taxpayers have been subsidizing this loss of revenue. It has only been a recent occurrence that this situation has reached crisis proportions. This crisis resulted mainly for inflation and the voter reluctance to tax themselves. The only way of helping this situation is by the inclusion of public housing in the Impact Aid formula. I urge the Members of the Subcommittee to consider the implications of this matter and support full funding through Tier II for all "B" students in the Impact Aid program. It will be money well spent.

STATEMENT OF JOSEPH RUTHERFORD, ADMINISTRATIVE ASSISTANT TO SUPERINTENDENT, TOLEDO PUBLIC SCHOOLS

Mr. RUTHERFORD. I am Joseph Rutherford, Administrative Assistant to the Superintendent for Toledo Public Schools.

Ohio has been in deep, deep trouble, and my school district because of the lack of money in 1976 and 1977, and we had a devastating teachers strike in 1978. We have no money. We have had our Proposition 13 in Ohio for a number of years.

The point that I would like to make on this public housing is, we have in our county 98 percent of the public housing is concentrated in our school district. With this, there are certain other problems: Lost textbooks, high absenteeism, disintegrating neighborhoods.

These are problems that are peculiar, at least in Ohio, to the large cities. We are at the crossroads, Mr. Chairman, and your programs in this committee have done a great deal of good through Title I and other programs.

We desperately need this housing money, which would be about $7 million, if the Congress will appropriate, through tier two, and $7 million is $500,000 to my school district, Mr. Chairman. After we hire all the mandated teachers to all the IEP's and all these other types of stuff, $500,000 is a lot of money.

We only have a couple of million bucks left to meet what we conceive to be our problem.

Mr. Chairman, schools in Ohio are fiscally independent. We do not have a say as to whether the housing would be in our district or would not be in our district. But getting just away from the economics of it—the other gentlemen here have set forth the economics clearly—but the real issue is, as I see in it Ohio, is public education going to survive in the large cities.

We need your help, Mr. Chairman, and members of the committee, and we appreciate everything you have done over the last years for kids. We are at that turning point, Mr. Chairman, and this is the year we need the help. We cannot wait any longer.

Thank you, Mr. Chairman, and members of the committee.

Mr. PINNEY. Mr. Chairman, we have other members in the room who have not been able to give testimony. May we have all that entered into the record?

Chairman PERKINS. The testimony from school administrators I personally feel will be very useful to the members, and without objection all of the testimony of the various administrators throughout the country will be inserted in the record.

Is there any objection?

The Chair hears none. Without objection, it is so ordered.

[The testimony referred to above follows:]

TESTIMONY PRESENTED BY DAVID R. KINCAID, ADMINISTRATIVE ASSISTANT, ADELANTO SCHOOL DISTRICT, GEORGE AIR FORCE BASE, ADELANTO, CALIF.

I am David R. Kincaid, Administrative Assistant, of the Adelanto School District which serves George Air Force Base near Adelanto, California. I'm very pleased to have an opportunity to present information concerning impact aid in our District.

The Adelanto School District's student population of approximately 1500 is comprised of about 85 percent military students. Our District's financial support for 1978–79 is estimated to be 58 percent federal, 31 percent state and 11 percent local.

Adelanto School District's assessed valuation of $25,000,000 generates only $250,000 under the meager 1 percent provisions of Proposition 13. The 1 percent (or $250,000) must be shared with other public agencies. The local property tax revenue coupled with state sources of income provides our District with only $1,118,000 or $745 per ADA. The average cost of education per ADA in our County was $1,373.29 two years ago. If you add 16 percent for inflation, the cost for 1978–79 should be approximately $1,593 per ADA. It's easy to see that our District depends on federal income to provide an adequate education for its children.

Since the federal property in our District has an estimated assessed valuation of $125,000,000, it would generate $1,250,000 if it could be taxed. Our portion of that revenue would put us close to the average cost in San Bernardino County. Since federal property can't be taxed, we depend on impact aid to survive.

In closing, I would like to ask that the House Education Committee do everything within its power to see that no cuts are made in impact aid. I fear that the provisions of HR 15 which limit tier II funding to 65 percent of the previous level, will cause drastic cutbacks even without the additional reductions suggested by the administration.

TESTIMONY PRESENTED BY RODERIC V. MOORE, SUPERINTENDENT, OCEANSIDE UNIFIED SCHOOL DISTRICT, OCEANSIDE, CALIF.

I am Roderic V. Moore. I am Superintendent of Oceanside Unified School District in the State of California, which serves the Camp Pendleton Marine Base.

The Oceanside Unified School District has an enrollment of 11,000 students. Seventeen hundred of these students live on Camp Pendleton and are A Students. Twenty eight hundred of these students are military connected, live off base, and are B students.

The cost of education in Oceanside Unified School District is $1,838 per student. The District receives the following financial assistance under Public Law 874:

A Students: $819 per student.
B Students: $253 per student.
Section 2: $138 per student.

Forty five percent of the students in our district are defined as Minority. The District has a large number of students from low income families.

Camp Pendleton is made up of 195 square miles of prime coastal California property and is not on the District's tax rolls. To the North of our District in Orange County, there is 138 square mile area which had been owned by the Irvine Corporation and recently sold for 337.4 million dollars. The Camp Pendleton property is the only economic basis for support of education for military students. The total assessed valuation of our district is 214 million dollars.

Because of the adoption of Proposition #13 in California, the Oceanside Unified School District reduced its expenditures during the 1978–79 school year by $835,500. This included:

Eliminated summer school	$207,000
Reduced teachers and other staff	200,000
Reduced instructional supplies, books, extra duty assignments and food services	228,500
Equipment purchases (replacements) deferred	200,000

The loss or reduction of PL 874 funding would have an immediate effect on the quality of education in our District and would create the need for reduction in programs such as took place during this school year.

Oceanside as a community has provided continued support to Camp Pendleton Marine Corps Base. Oceanside is a community with a relatively low average income. To further place the financial impact of education of military students on this community would create serious fiscal problems.

TESTIMONY OF FRED A. DUNSMORE, DISTRICT ADMINISTRATOR OF FORT HUACHUCA, ARIZ., ACCOMMODATION SCHOOLS

I am Fred A. Dunsmore, District Administrator of the Fort Huachuca Accommodation Schools which serve the Fort Huachuca Military Installation, Headquarters of the United States Army Communications Command.

I appreciate the time afforded my by this distinguished group to present my testimony in regard to the affect which the proposed curtailment of P.L. 874 funding will have on the Fort Huachuca Accommodation Schools

Geographically speaking, Fort Huachuca is somewhat isolated, being located in the southeast corner of the State of Arizona some seventy-five (75) miles distance from the city of Tucson.

The Fort Huachuca Accommodation Schools are public schools located on the Fort Huachuca Military Reservation serving the elementary school age children of the personnel residing on Post and are operated by the Cochise County School Superintendent in accordance with the laws of the State of Arizona. Presently there are three elementary schools on Post housing some 1,600 pupils, having a staff of 79 certified personnel (66 classroom teachers plus 13 special area teachers), and providing what I deem an adequate educational opportunity for those attending.

Funding for the operation of the Post Schools comes from two sources: the taxes of the State of Arizona and the U.S. Department of Health, Education and Welfare. (There is no tax base on Fort Huachuca, hence no means to raise any revenue on a local basis.) Funds received are based on the membership and attendance of pupils enrolled in the schools. At the present time approximately $1,128 per full-time pupil per year of basic financial aid is received with approximately 31% ($348) coming from State sources and 69% ($780) in the form of Impact Aid from the Federal Government. Total amount budgeted for the 1978–79 school year is $1,899,875. A comparison of the 1977–78 cost per ADM: Fort Huachuca, $1,056; Cochise County, $1,343; State of Arizona, $1,565. (From annual report of the Superintendent of Public Instruction.)

The major changes made in the authorization legislation in Conference Committee, adopted by the Congress and signed into law by the President for F.Y. 80, will have disastrous consequences for the Fort Huachuca Accommodation Schools. If, in fact, only 73.75 percent of the P.L. 874 entitlement for the 79–80 school year is received, a loss of some $400,000 will be sustained by the district. To put it another way, the district will have over a quarter of a million dollars less with which to operate next year than it is currently receiving this year. Again I would like to point out that due to the organization of the school system, there is no tax base available from which to secure additional revenue to make up the deficit.

It is difficult to say exactly what steps would have to be taken to offset a reduction in funding of this magnitude. Little imagination is needed to realize that there will have to be staff reductions which would cause overcrowded classroom conditions, elimination of what few special programs are now in existence and either a freeze or reduction of salaries of all employees. It is my estimate that all music, physical education and elective courses would be dropped and some 15 to 20 teachers released, bring about a 35 to 40 pupil-teacher ratio.

This course of action would result in educational chaos and directly affect a segment of the population which is already subjected to a quality of life which sometimes leaves much to be desired. I have been told that the Department of Defense, the Department of the Army and the Department of the Air Force have all expressed their extreme concern to OMB about the proposed reduction of Impact Aid and the affect it will have on their personnel stationed throughout the continental United States. Also, and more to the point, the impact on the Fort Huachuca Accommodation Schools will be horrendous and the dependents of the military personnel stationed at Fort Huachuca will be the ones who will suffer directly as a result of this legislation.

It is clear to me that all highly impacted districts, regardless of the category of pupil served, are the big losers in the authorization process and unless help is forthcoming in correcting this disparity, any eduactional gains realized to date will be dealt a severe blow.

FORT HUACHUCA ACCOMMODATION SCHOOLS

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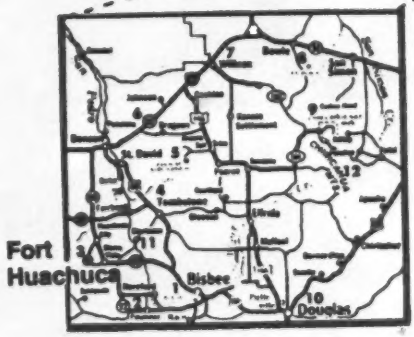
COCHISE COUNTY



PREPARED TESTIMONY BY VICTOR C. VAN DYNE, SUPERINTENDENT, MASCOUTAH COMMUNITY UNIT, MASCOUTAH, ILL.

I. INTRODUCTION

Mascoutah Community Unit School District 19 is located in southwestern Illinois, approximately 25 miles from St. Louis, Missouri, and is located entirely within the 23rd Congressional District. Approximately 3,700 students are served by District 19, and housed in three elementary buildings, one junior high building, and one senior high building. The property within District 19 boundaries can be broken down into three types: a.) City of Mascoutah, 2 square miles; b.) Scott Air Force Base, 3.5 square miles; and c.) rural, principally farmland.

II. FINANCIAL STATISTICS

Assessed valuation (1977)	$28, 666, 035. 00
Average daily attendance	3, 259. 52
Assessed valuation per average daily attendance	8, 794. 56
Total bonded indebtedness	590, 000. 00
Percent of bonding power currently obligated	17. 5

A. REVENUE—UNRESTRICTED

	Amount	Percent
Local (property tax)	$521, 870	10.3
State aid	2, 641, 000	52.2
Impact aid	1, 901, 000	37.5
Total	5, 063, 870	100.0

B. OPERATING EXPENSES

Employee salaries	$3, 817, 000. 00
Employee benefits	177, 000. 00
Other (utilities, insurance, supplies, etc.)	1, 158, 000. 00
Total	5, 152, 000. 00

III. ENROLLMENT DATA

	Amount	Percent
Federally connected:		
3(a)	2, 336	63.0
3(b) military	208	5.6
3(b) other	119	3.2
Subtotal	2, 664	71.8
Nonfederally connected	1, 045	28.2
Total	3, 709	100.0

Summary

Mascoutah Community Unit School District #19 is a district with 71.8% impaction attributed to having within its boundaries Scott Air Force Base. The benefits of having Scott AFB in our district are numerous and varied, not the least of which enables the district to provide a comprehensive program to its students.

The most severe disadvantage imaginable would be the situation in which the Federal Government would not financially support the local efforts in educating those children attached to the operations of the Base. Historically, Congress has accepted the responsibility of providing financial support on a basis of payments comparable to the local effort made in the education of local children. Thus, the benefits of having children of Scott AFB personnel in the local district are highlighted and welcomed. If Congress does not continue its financial support through

full-funding, the benefits are diminished, and the education of these children will become a local burden that would be unbearable.

For each 10% reduction or $190,000 loss in Impact Aid, the education rate for the Mascoutah School District #19 would have to be increased by 66 mills, which represents a 61% increase. In a climate in which the taxpayer is not only opposing increases in taxes, but making attempts at reducing taxes, the attempt at such an increase is ludicrous.

To consider less than full-funding, for a program in which the ratio of the dollar returned to the dollar collected may be among the highest of any Federal Program, cannot be in the best interest for the children of Scott AFB personnel nor the taxpayers of this great country.

PREPARED STATEMENT BY DR. CLARENCE HAM, SUPERINTENDENT, KILLEEN INDEPENDENT SCHOOL DISTRICT, KILLEEN, TEX.

IMPACT AID IN KILLEEN ISD

Killeen Independent School District is a "Super A" district in the terminology of impact funds because more than 25% of its student enrollment are military "A's" (or students whose parents both live and work on federal property). In actual numbers, for the 1978–79 school year, 6773 (38.6%) were military A's, 4221 (24%) were military B's, and 1449 (8.2%) were civilian B's. We had no civilian A's. As can be seen, then, 12,441 students are members of the Killeen Independent School District entirely by reason of their parents being stationed at Fort Hood. These 12,441 students constitute 70.9% of the total 17,546 students we enrolled for the 1978–79 school year.

Killeen (and other school districts serving military installations) receives funds from the federal government in lieu of taxes through Public Law 874 primarily in three categories: Military "A", Military "B", and Civilian "B". "A" students are those whose parents both live and work on federal property. The theory for this reimbursement from the federal government is that the local school district is obligated to serve these children, but receive no property tax revenues, either from the homes or the place of business. "B" students are reimbursed at 50% of the amount of "A" students, on the theory that the home in which the serviceman or civilian employee lives would generate 50% of the total taxes needed. In actuality, the theory is partially fallacious and the federal government does not live up to its part of the bargain on the other part. The fallacious or faulty aspects of the theory ignore two facts: (1) homes generally do not generate 50% of the tax revenue of districts which rely heavily on property tax: business and industrial property usually accounts for 60–80% of such tax revenues in typical community; and (2) many service personnel who live off post live in mobile homes which are exempt from local property taxes because of provisions of the Soldiers and Sailors Relief Act. However, even in situations where service personnel live in nice homes which could be expected to generate a substantial property tax revenue, presumably 50% of the needed tax revenue, the federal government presently is reimbursing "B" students on a prorated basis of 50%; that is, for 1978–79, the reimbursement rate for "B" students is only 80% of 60% of 50%, or 24% of that for "A" students.

It is important for Congress to understand and support the concept of impact aid, which is constantly under attack from the administrative branch of the federal government. The attack usually concentrates on alleged abuses in the civilian "B" area. The argument is that there are many places where reimbursement is not justified to a local community just because the breadwinner happens to work for the federal government. Some of the arguments are valid, and some reform is needed. However, the "reforms" so far instituted have been harmful to even the most justified of the school districts receiving impact funds. Examples include:

(1) Killeen ISD should be considered one of the most justifiable recipients of impact aid, since it has such a heavy impaction of military students, and any reform should not affect it adversely. However, the "reform" formula begun for the 1975–76 school year generated in Killeen ISD $180,000 (7.5%) less for the same number of students than would the formula used in 1974–75, and the "reform" formula of 1978 cost Killeen ISD $244,582.

(2) The categories by which students can be reimbursed have expanded essentially from three categories to fifteen, each with a different funding formula, enormously complicating both the completion of the application by the local school district and its processing by HEW.

(3) This complicated process has slowed HEW in its processing time to the point where some funds are reimbursed to a local district over a year after they have been expended by a local district. This increases costs of operation to school districts who must borrow for current expenditures on the expectation of future reimbursement.

(4) The "reform" formula has a built-in deception, in that funds are computed and paid in stages, called "Tiers". There are four of these tiers. Estimates of the cost of the program are usually limited to paying through Tiers I and II, leaving Tiers III and IV to require a supplemental appropriation or be abandoned altogether. Payment through Tiers I and II do not dispense as much funds to various school districts as many congressmen think those school districts are receiving.

It is important to point out also, that, welcome as the impact aid is, it does not fully reimburse the local school district for its costs of educating the students involved. Killeen Independent School District has a relatively low expenditure per pupil, about $1,216. This amount is about 82% of the average per pupil expenditure in Texas schools ($1,482), and only 66% of the national per-pupil expenditure of $1,846. But, even at this modest level of per-pupil-expenditure, the federal reimbursement for an "A" student (one who is expected to generate no local revenues at all) is only $780, or $430 less than the annual cost to educate that child. These extra funds must come from somewhere.

Some people make the observation that these "A" students do generate some taxes, in sales taxes and other similar taxes which their families pay. This is true, but these kinds of taxes are not available to local school districts. The only tax KISD (and all other school districts in Texas and in most of the nation) can levy is the property tax. Sales, incomes, corporate and other tax areas are the domain of the state government.

Another area of importance is the provilson of funds to provide facilities to house the students generated by a military installation. This impact is as great or greater than the need for current operating funds. It is important to realize that the need for these facilities would not exist were it not for the military installation which generates the students. Since the federal government is responsible for the decisions which determine how many students impact an area and how long they stay, it should be the federal government's responsibility to assist in providing the facilities to be used by these students. It is unfair to expect a local community, having a civilian student population smaller than the impact of military students, to commit itself to long-term debt on a low or non-existent tax base, to provide facilities for students who may or may not remain in that school district. One of the biggest fears of local school districts is providing facilities for an influx of students generated from some federal installation, going into local bonded long-term debt to do so, and then having the need for those facilities vanish as decisions are made to move divisions or consolidate bases, or close posts, etc., and then being left to pay off that debt for un-needed facilities.

If the federal government is going to generate the students in an area, and not provide taxes (as it does not) it should provide relief in both areas in which schools usually collect taxes, (1) current operation; and (2) retirement of debt to provide capital improvements.

Public Law 815, which provides some construction funds, is now funded for $30 million. But, $29 million was pre-designated for special projects such as Indian schools, and HEW-owned schools. Only $1 million was left this year to fund eligible projects from impacted schools. There is presently a backlog of over $300 million in applications for federal assistance for construction. If only 10% of these happened to be legitimate and urgent, it would take 30 years at the present rate of funding to satisfy present needs without accepting any new applications.

TESTIMONY OF ALLEN T. WALKER, ASSISTANT SUPERINTENDENT, BUSINESS MUROC UNIFIED SCHOOL DISTRICT, EWARDS AIR FORCE BASE, CALIF.

I am Allen T. Walker, Assistant Superintendent, Business, Muroc Unified School District. Edwards Air Force Base, California. Thank you for allowing me the opportunity to present testimony to this committee.

The Muroc Unified School District is located on the Mojave Desert, 100 miles northeast of Los Angeles and east of Bakersfield. It is composed of the Edwards Air Force Base and the communities of Boron and North Edwards. There were

2819 students, K–12, in the district on October 27, 1978. These students consisted of 1837 (65.1%) "A" students living on base with parents in the armed forces, 211 (7.7%) "B" students whose parents lived off base but worked on base, and 771 (27.4%) were non-federally connected.

Edwards Air Force Base impacts the district with 72.6% of the student population. District income is provided from three sources: local taxes, state aid, and PL 874 funds. State aid and local taxes provide 50 percent of the income and PL 874 50 percent. Thus, student impaction for the activities of Edwards Air Force Base is 72.6%, but impact aid provides only 50 percent of the income.

This has been the case for years and we have learned to live with the situation as long as we were funded 100 percent through Tier II. But, with the new law, which provides only 65 percent of Tier II, the income from PL 874 (impact aid) will be only 36.75% of the income. This will be devastating and create a loss in overall income of 13.25%.

We have been proud of our schools over the years. Desert High School has sent more students to the academies than any other public high school in the nation. Our educational programs have been exemplary within the Air Force Command. If we have to suffer an impact aid cut of 36.75%, it will require larger classes, curtailment of many programs, dismissal of teachers, and general lowering of the educational opportunities available for the students.

This must not happen!

You don't want it to happen!

You must not let it happen!

Edwards Air Force Base operates for the welfare and safety of the nation. To deprive the children of its talented and dedicated workforce of the highest order of educational opportunity would be tragic.

Tier II must be funded 100 percent.

Thank you.

PREPARED STATEMENT OF THE ENLARGED CITY SCHOOL DISTRICT, TROY, N.Y.

The Enlarged City School District of Troy will lose $137,888 in revenues if President Carter's proposal to eliminate B student payments and Hold Harmless provisions is adopted by the Congress of the United States. Although the amount appears, on the surface, to be miniscule, a listing of the sources of revenue (1978–79) for The Enlarged City School District of Troy and the proposed expenditures together with data which will substantiate the critical need of the district for B student payments will show that the effects of President Carter's proposal will have a significant impact on the delivery of educational services to the children of Troy.

Troy, an urban community which has a population of 64,000, educates 6,700 students in its public schools. Not only has the city weathered the complete exodus of industry to complexes in outlying areas because of the crush of urban tax rates; Troy is further constricted by a rapid escalation of tax exempt properties. In the twelve square mile area, two institutions of higher learning have, in 25 years, more than doubled their real property. Urban renewal, public housing, state and federal highway programs have, in the same period of time, devoured a third of the taxable property in the district. Federal housing, low-rent housing, accounts for 700 apartments in the district.

In the city of Troy at the present time less than 50%, less than one-half, of the property can still be used as a source of revenue for the school district.

The following summaries, listing the school district's projected 1978–79 expenditures, its sources of revenues, and the anticipated revenues, will document the need for the continuation of B student payment and Hold Harmless provisions under Impact Aid. At this time it must be stated that the school district levies and collects its own taxes independently from city government.

Projected expenditures	$14,450,000
Sources of revenue and anticipated revenue:	
Real property tax items	225,000
Charges for services	220,000
Used money and property	137,300
Sale of property and compensation for loss	4,100
Miscellaneous	6,000
State aid	7,308,000
Other Federal aid PBL 874	55,000
Total revenue	7,956,000
Projected fund balance	681,000
Total revenue and fund balance	8,637,000
Local Taxes	5,813,000
Total budget	14,450,000

The local school tax effort constitutes 40% of the total anticipated revenues; these figures must be studied in terms of Troy's school tax base and tax rate. The actual school tax levy for Troy residents is $29.88 per thousand, a burden far in excess of that borne by taxpayers in most communities.

LISTING OF TAX EXEMPT PROPERTIES AND RESULTING LOSS OF REVENUE

This section will specify properties which enjoy tax exempt status and loss of income.

Exemption 1976:	
City owned	$13,945.75
Urban renewal	5,250,330
Age	4,122,561
Colleges: Russell Sage College, Rensselaer Polytechnic Institute, Hudson Valley Community College, and Emma Willard School	57,670,400
Public schools	15,816,780
Homes, institutes, hospitals	20,593,680
Churches	13,781,095
Stateowned	4,766,596
Countyowned	3,781,830
Federal buildings	1,128,990
Veterans	177,460
Cemeteries	1,689,310
Moral Association (YMCA, etc.)	2,900,000
Clergy	27,000
Parochial schools	3,489,000
Federal housing	7,541,200
State housing	7,758,212
Miscellaneous	232,800
Special housing	5,000,000
Troy Public Library	123,000
R.R	611,000
Total	173,119,678

The impact of the President's proposal, studied in its narrowest light manifests a loss to the district of 1% of its revenue. Translated into teaching positions, the proposal reduces Troy's teaching force by ten, or 3%. On the surface, this percentage appears minor. The consequences, however, are not, since teacher class load is already at maximum. In 1974, the district, in anticipation that legislation permitting small cities to exclude certain budgetary items from the tax limit imposed by the State Constitution, excised 52 teaching and administrative positions. The district, therefore, has been compelled to increase class size and to curtail all expenditures not mandated by state law. The budget is currently bone dry and completely free of "fat" to the degree that teaching and administrative salary schedules fall well below those of outlying communities and below those of districts of similar size.

The President's desire to combat inflation deserves every consideration; however, school districts, especially The Enlarged City School District of Troy, New York, is already mired because of and by means of escalating costs. Reduction of revenue for Part B. students will not serve to halt inflation; in fact, these funds do not even permit the district fully to catch up.

One last point needs to be emphasized. Properties belonging to the federal government are valued at roughly $101 billion. If these properties were taxable, the revenues would more than triple the 1979 appropriation. An appropriation of $950 million represents a minimal compensation for the absence of revenues from federal tax exempt property.

PREPARED STATEMENT OF DR G. LILAND BURNINGHAM, SUPERINTENDENT OF SCHOOLS, WEBER COUNTY SCHOOL DISTRICT, UTAH

THE PROBLEM

General Description of District

Weber County School District is located approximately 38 miles North of Salt Lake City in Congressional District No. 1. The District presently operates twenty-four elementary, seven junior high schools, three senior high schools, a school for the handicapped and a vocational high school. The present enrollment is 20,282, elementary and secondary students of which 7,217 are "B" students. Federally related students account for 36.04 percent of Weber District total enrollment.

Translation of Impact Aid into Services

Weber District received $1,320,096.00 from P.L. 874 Funds for the 1978 Fiscal Year. This amount would provide salaries for approximately 95 teachers which is about 10 percent of our total staff.

Basis of Federal Impact Aid

If "B" students and hold harmless funds are eliminated, it is estimated that Weber District would loose approximately $1,297,982.00 based on fiscal 1978 payments.

The assessed valuation of Weber County School District is $152,510,756.00; at 98 percent collection it would require an 8.83 mill levy to raise the funds presently provided by P.L. 874.

Utah Law provides for a 4 mill property tax levy over a three year period to provide for loss of P.L. 874 funds. This levy would raise $610,043.00 leaving a deficit of $687,889.00 in revenue. The additional funds would have to be raised through a local voted leeway. It seems inappropriate to penalize a local area with increased taxation because of the location of a federal installation which pays no property tax.

UTAH DISTRICTS RECEIVING PUBLIC LAW 874 FUNDS, ACTUAL AND ESTIMATED 4-YR PERIOD

	1975-76	1976-77	1977-78	Estimated, 1978-79
Alpine	103,195	132,641	115,134	75,000
Box Elder	320,851	517,542	458,777	430,000
Cache	102,848	97,016	94,475	50,000
Carbon	118,559	167,882	222,438	200,000
Daggett	28,120	47,033	45,207	28,042
Davis	2,052,899	2,834,502	2,687,358	2,400,000
Duchesne	82,860	137,646	126,099	146,646
Emery	76,555	109,226	139,452	0
Garfield	35,571	51,025	52,243	45,000
Grand	83,773	146,785	132,932	30,000
Granite	541,829	751,939	518,275	450,000
Iron	20,719	40,195	30,306	25,000
Jordan	219,106	168,047	249,259	210,000
Juab	5,211	2,834	9,380	5,000
Kane	20,020	15,296	8,080	15,000
Millard	11,617	17,629	14,258	0
Morgan	51,717	68,184	81,458	50,000
Nebo	56,678	51,508	33,538	40,000
North Sanpete	0	20,560	12,586	0
Piute	9,594	11,278	7,182	5,000
Rich	0	12,519	19,848	17,680
San Juan	709,826	746,269	829,805	0

UTAH DISTRICTS RECEIVING PUBLIC LAW 874 FUNDS, ACTUAL AND ESTIMATED 4-YR PERIOD

	1975–76	1976–77	1977–78	Estimated, 1978–79
Sevier	46, 255	73, 854	73, 780	70, 000
South Sampete	23, 407	10, 848	64, 412	36, 120
South Summit	15, 982	13, 153	9, 018	8, 800
Tintic	6, 179	7, 624	9, 121	4, 100
Toole	793, 752	794, 264	852, 237	821, 953
Uintah	253, 940	546, 850	487, 468	320, 000
Wasatch	11, 755	17, 022	11, 300	0
Washington	45, 759	68, 405	39, 293	30, 000
Wayne	20, 291	30, 575	24, 497	24, 000
Weber	1, 369, 142	1, 374, 315	1, 483, 508	1, 304, 980
Salt Lake	327, 101	426, 126	418, 744	400, 000
Ogden	709, 581	708, 442	703, 228	568, 650
Logan	16, 310	13, 635	40, 211	20, 000
Murray	44, 006	51, 420	51, 253	49, 891
Total	8, 334, 908	10, 284, 089	10, 716, 168	7, 880, 682

Source: Annual report, State board of education; Utah school districts budgets, State Board of education.

PROBLEMS CAUSED BY LOSS OF PUBLIC LAW 874 FUNDS

1. Increase local property taxes.
2. Reduce professional teaching staff.
3. Reduce auxiliary services staff.
4. Increase pupil teacher ratios.
5. Reduce instructional supply budgets.
6. Reduce maintenance of buildings.
7. Eliminate many community programs.

STATEMENT SUBMITTED BY E. A. NICHOLS, SUPERINTENDENT, RAPIDES PARISH SCHOOL BOARD, ALEXANDRIA, LA.

RESOLUTION

IMPACT AID FUNDING (PUBLIC LAW 81–874)

Whereas, the Rapides Parish School Board has the responsibility of providing the best public educational system for all children in our parish, and,

Whereas, federal installations and land holdings within our parish have added more than 1,700 children to the school rolls of Rapides Parish, and,

Whereas, these federal installations are tax exempt and therefore do not contribute to the cost of educating those children, nor provide facilities, and,

Whereas, the Impact Aid Program, PL 81–874, provides a means to financially assist affected areas in the cost of educating the children of federally connected parents, and,

Whereas, the funds have, and will continue to be, absolutely essential for the Rapides Parish School Board to continue to operate our schools, now.

Therefore, be it *Resolved*, That the Rapides Parish School Board, on behalf of the citizens of this Parish, oppose any and all efforts to cut funds from or any effort to weaken the Impact Aid Program, and,

Be it further *Resolved*, That copies of this Resolution be forwarded to Representatives Leach and Long, and to Senators Johnston and Long, along with the attached Fact Sheet and other enclosures, requesting their votes and support to restore funding for B category students, which the administration has requested to be deleted.

DOUGLAS JENKINS.
TERRY L. FARRAR.
GEORGE C. DUNCAN.
D. A. ANDERSON.
JO ANN W. KELLOGG.
EUELL WILLIAMS.
LOUIS V. CRENSHAW.
CHARLIE D. HOLLOWAY.
HAROLD J. GAMBURG.
E. A. NICHOLS, *Superintendent.*

RAPIDES PARISH SCHOOL BOARD

FACT SHEET FOR PUBLIC LAW 81-874

(Impact Aid)

1. Enclosed with this Resolution and Fact Sheet you will find a booklet giving a brief description of Rapides Parish.

2. From information obtained from the Assessor of Rapides Parish, based on 1978 assessments, the loss from property taxes on England Air Force Base alone is estimated at between $950,000 and $1,000,000. Rapides Parish now has the maximum millage on property for general operation purposes and therefore would have no means to offset any loss through a reduction of funds received from Public Law 81-874.

3. The percentages of General Operation Receipts for 1977-78 are as follows:

	Percent
Local funds	18
State funds	77
Federal funds	5

4. Funds received through this program in 1977-78 are:

Category of child:
A (255).
B (1,486).
100 percent enrollment:
$184,003.74.
$504,602.64.
Actual receipts:
$158,312.74.
$250,270.99.

5. As the above chart indicates, the proposed cutback in B category would almost eliminate our system from the funding.

6. With the Rapides Parish School Board's General Operating Budget, already with a near $1,000,000.00 deficit, the loss of Revenue Receipts through Public Law 81-874 would severely cripple our school system.

7. There are fifty-two schools within Rapides Parish, with a total school enrollment of just over 28,000 students. The cost per pupil is approximately $1,000.00.

8. The current operating budget is $28,458,436.00.

Chairman PERKINS. Mr. Erdahl, do you have any comment?

Mr. ERDAHL. Thank you, Mr. Chairman, just a quick question.

Chairman PERKINS. The House is already in session.

Mr. ERDAHL. Just one of the concerns that I think we have talked about today would be what the participation might be from the various levels of government, state, Federal and local.

We have several states represented here, and I was wondering if you could quickly say approximately what per student aid comes from your states of California, Ohio, and Georgia?

Mr. PERDUE. Sixty-four percent from Georgia, 64 percent of state funds; 28 percent local; and 10 percent Federal.

Dr. FISH. California, at this point, really does not have a financial plan left.

[Laughter.]

Dr. FISH. We are spending up the surplus. It has grown substantially, the money that is coming back, but the whole program is being reordered, and when the surplus goes I can give you a definitive answer.

Chairman PERKINS. Mr. Buchanan.

Mr. BUCHANAN. Thank you, Mr. Chairman.

Mr. CHAIRMAN. I myself started with similar reservations to the gentleman from Pennsylvania, and became converted to impact aid. I always believed it was the best aid program we had, and that it gave the direct support that was most needed. However, I think real problems of equity still exist.

I do think the public housing provisions and other amendments we have made in the law have improved the situation. At this point, it seems to me, what the President proposes would not only be unlawful but unjust. We certainly will do everything in our power to change that situation, and I will stand behind the chairman in such efforts.

Chairman PERKINS. Are there any further observations?

If not, let me thank all of you this morning for excellent testimony. If you will come up and hand your statements to my assistant, Mr. Jennings, he will see that all of these statements get into the record at this point.

Let me thank all of you for your attendance, and for your interest in education.

Thank you.

The Committee will adjourn subject to call of the Chair.

[Whereupon, at 11:05 a.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

[Additional material submitted for the record follows:]

STATEMENT OF THE NATIONAL EDUCATION ASSOCIATION ON IMPACT AID

Since the enactment of PL 81-874 in 1950, the National Education Association has supported the program of school assistance to federally affected areas which is referred to as impact aid. The Association has maintained it support through the countless struggles that have beset this program. We will continue that longstanding support.

The impact aid program is divided into two basic categories: category A includes children whose parents live and work on federal property or on Indian lands; category B includes children whose parents live or work on federal property, including public housing. The Administration proposes to eliminate all category B funds within the impact aid program. Impact aid is designed to help compensate school districts for the cost of educating students where the local tax base is reduced because of federal property ownership or where student enrollment is higher due to the presence of a federal employer. Districts which include military bases, government offices, Indian lands, and public low rent housing are eligible for impact aid. Currently more than 4,000 school districts—25 percent of the school districts in 387 Congressional Districts across the nation—receive impact aid. Unlike most federal aid programs, impact aid can be used to pay for general operating costs such as salaries, instructional materials, heating, and other utilities.

The federal impact aid program has proven to be the single best illustration of how federal funds given directly to the local school district can work without federal control at the local level. This program has over the years become a general aid program in the way it has been used by the local school districts. Actually, many of the school districts have used the funds as an offset for property taxes that would have been collected if there were no federal government installations and facilities in the local environment. The impact aid program, which uses the number of children associated with the federal government as a basis for funding, provides a good model for developing a direct grant program for local school districts to counter the tax limitation movement throughout the country. This program is also a good illustration of how to get federal funds into a local school district's budget without disrupting the local control of the school board.

Cuts in the program as proposed by the Administration will eliminate $288 million in category B aid in FY 80. Since impact aid funds are used to meet costs incurred by the entire school system, approximately 23 million elementary and secondary school children would be hurt indirectly by cutback in this aid. There are about two million children actually counted for the distribution of category B aid with 712,000 of these pupils from families living in low rent public housing.

The recommended cuts to the program are unwise in light of the following factors: rising inflation rate, increased energy cost, and proposition 13 type fever. These facts indicate that school districts will suffer an unwarranted decline in the quality of education. If schools remain open many will be forced to reduce the staff available for carrying out programs and in many instances reduce the number of courses that can be offered.

Federal impact aid funds are distributed directly to the local school district and are counted as a resource toward meeting the local school district budget. Any reduction of these funds will result in additional sources of revenue needing to be made available to the school district if they are to continue the same education programs. Local property taxes and the state funding of local progams are the only sources of available revenue. Since the high degree of dependency upon local property tax is under attack, local school districts are being placed in an almost impossible situation.

The Congressional Budget Office estimates that at least $346 million would be required for maintaining the category B impact aid program in FY 80. This amount would maintain the current impact aid service levels because of rising educational costs. The National Education Association supports the CBO estimates as being the minimum amount of impact aid category B funds that are necessary to be budgeted and appropriated for FY 80.

We as an organization are of the opinion that the federal government must honor its commitment to these schools which are dependent upon impact aid funds for support of their programs. We are aware of the need to reform the overall program and will support efforts to improve the program. We cannot support an abrupt curtailment of funds available for the impact aid program.

O